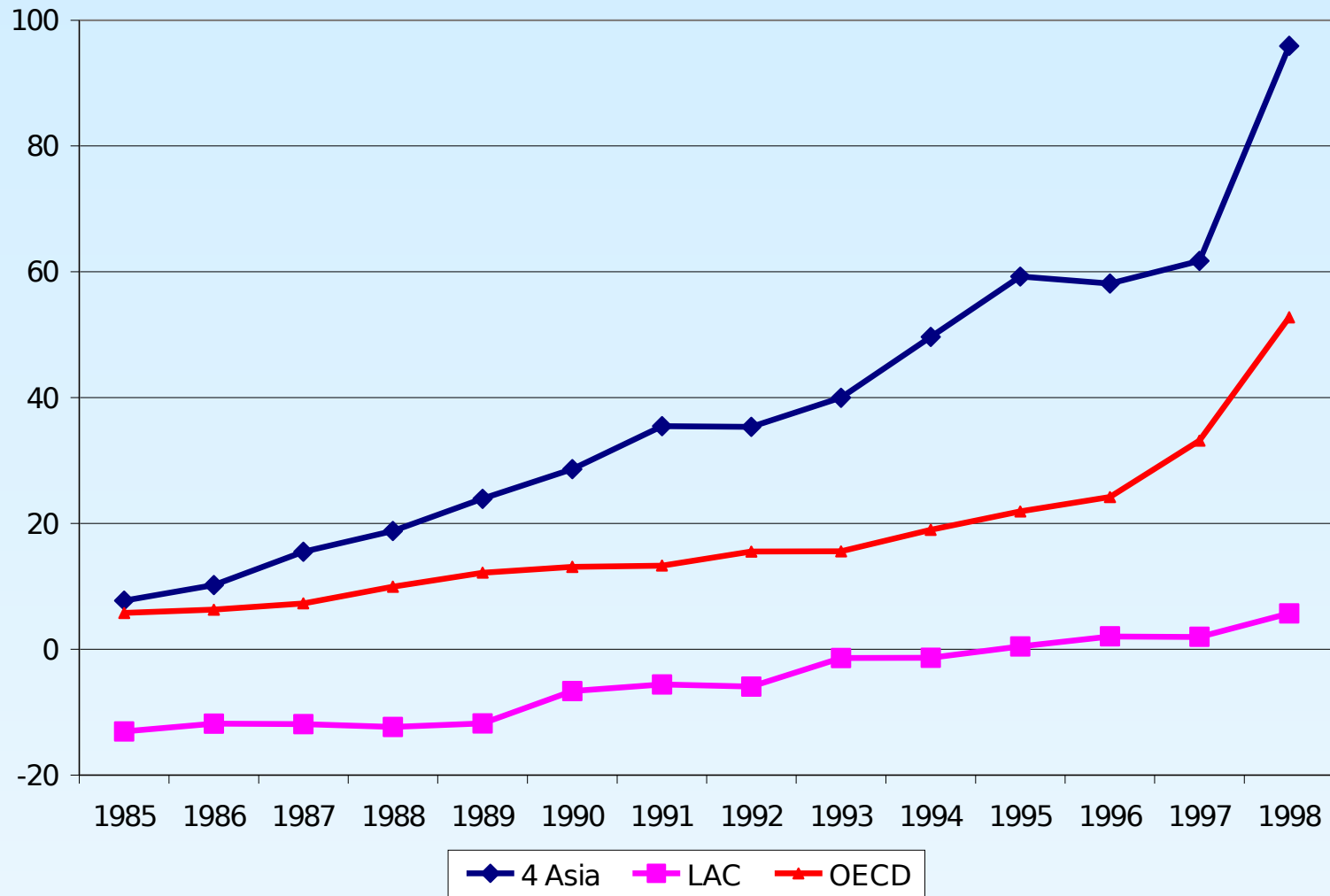


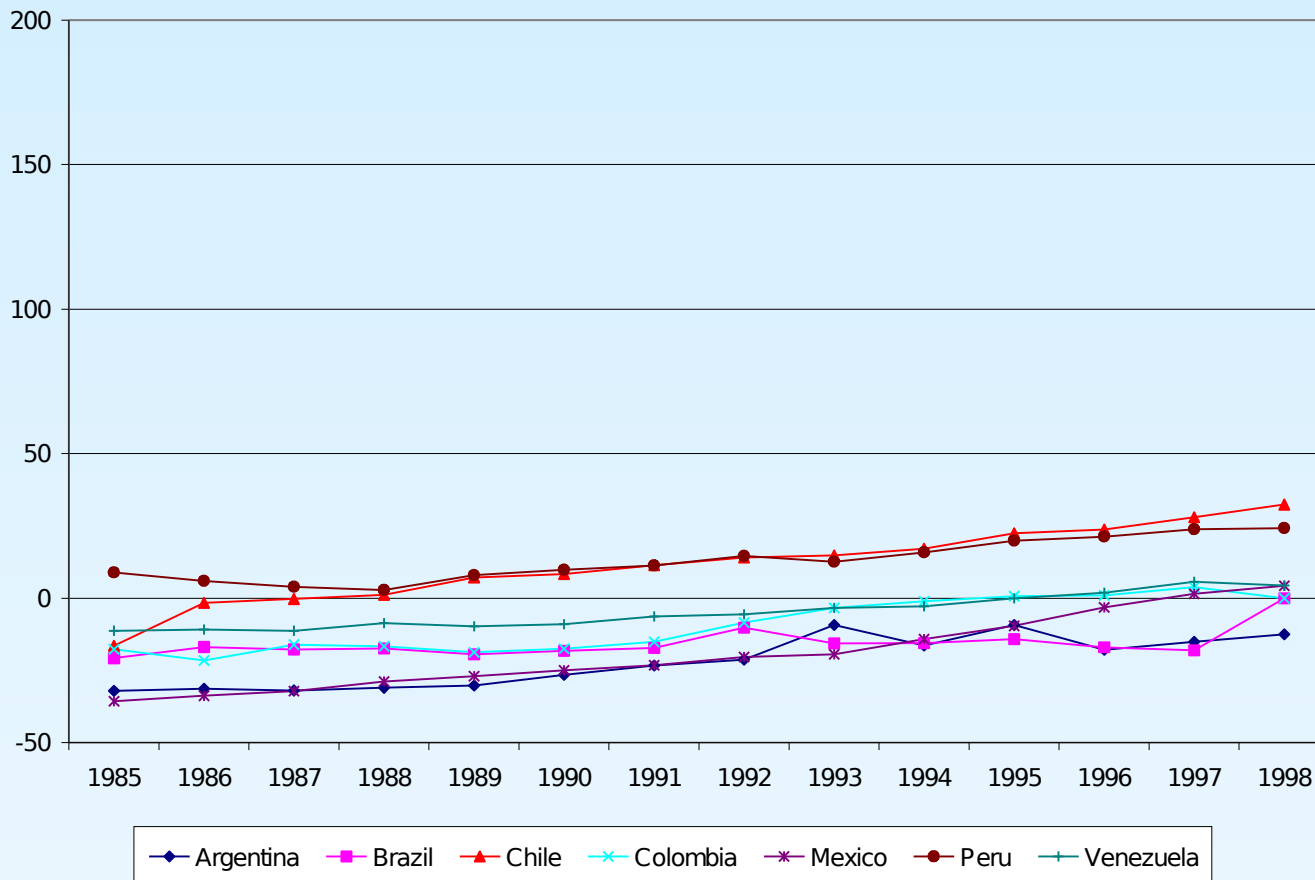
Latin American International
Trade:
Openness, Structure and
Comparative Advantage

Guillermo Perry
Chief Economist for Latin
America
The World Bank
March 2000

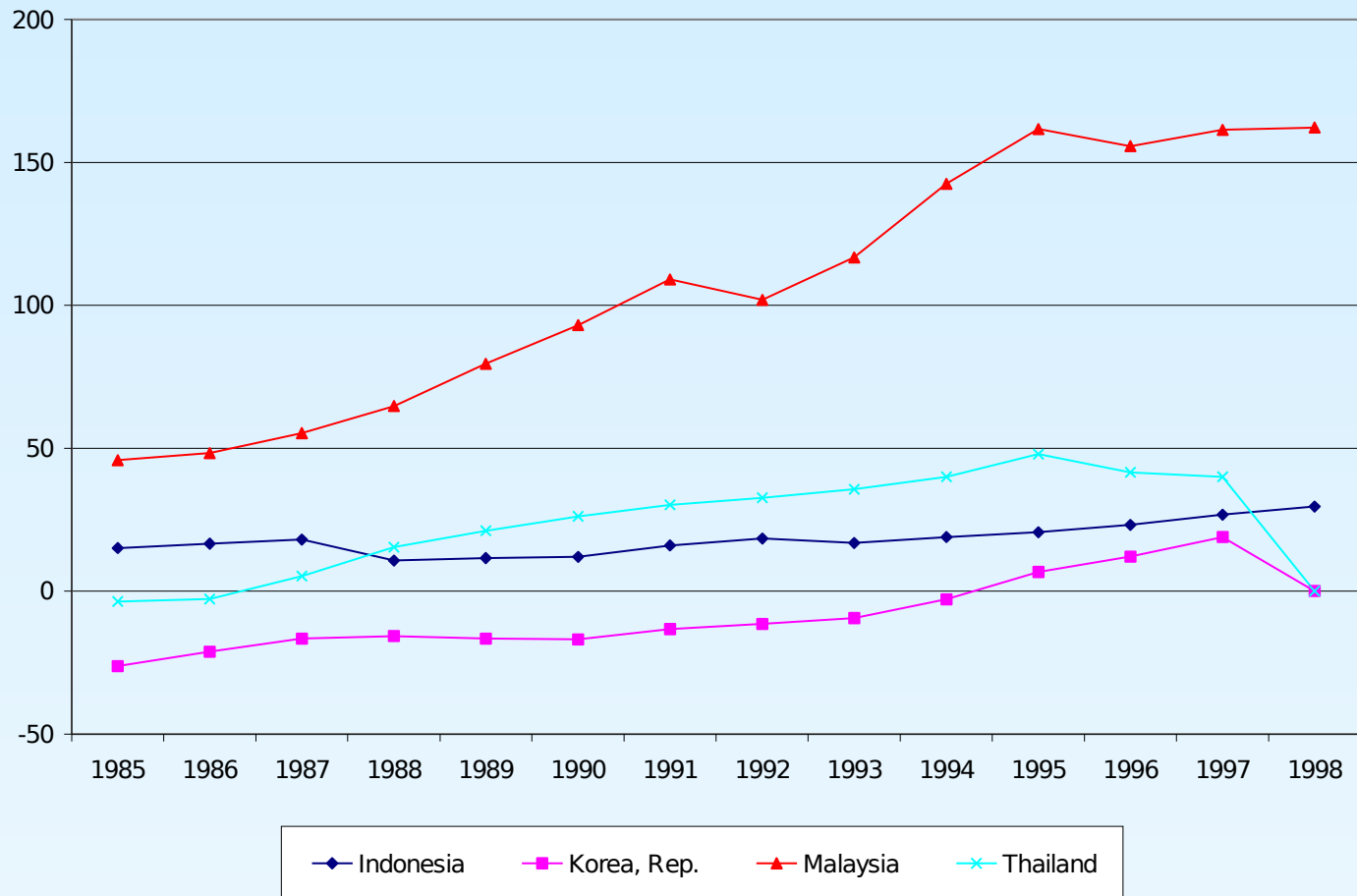
Structurally Adjusted Trade Intensity



Structurally Adjusted Trade Intensity - Latin America



Structurally Adjusted Trade Intensity - Asia



Intra-Regional Import Growth in LAC 1986-90, 1991-95 and 1996-98

(growth rates of imports value in US\$, CIF)

	1986-90	1991-95	1996-98
Intra-MERCUSOR	19.1	26.6	15.6
From ROW	7.9	19.4	8.4
INDEX	11.1	6.8	7.4
Intra-ANDEAN	9.8	34.8	3.0
From ROW	2.8	16.1	8.6
INDEX	7.9	16.3	-4.2
Intra-CACM	3.0	22.8	7.1
From ROW	5.4	14.1	17.9
INDEX	-2.6	7.9	-7.5
Intra-CARICOM	2.7	-0.9	72.9
From ROW	0.6	5.2	6.9
INDEX	2.2	-8.5	54.7

ROW = Rest of World

INDEX = $\left[\frac{(1+LAC)}{(1+ROW)} - 1 \right] * 100$ When INDEX > 0, intra-LAC imports grow faster than imports from ROW.

MERCOSUR = Argentina, Brazil, Paraguay and Uruguay

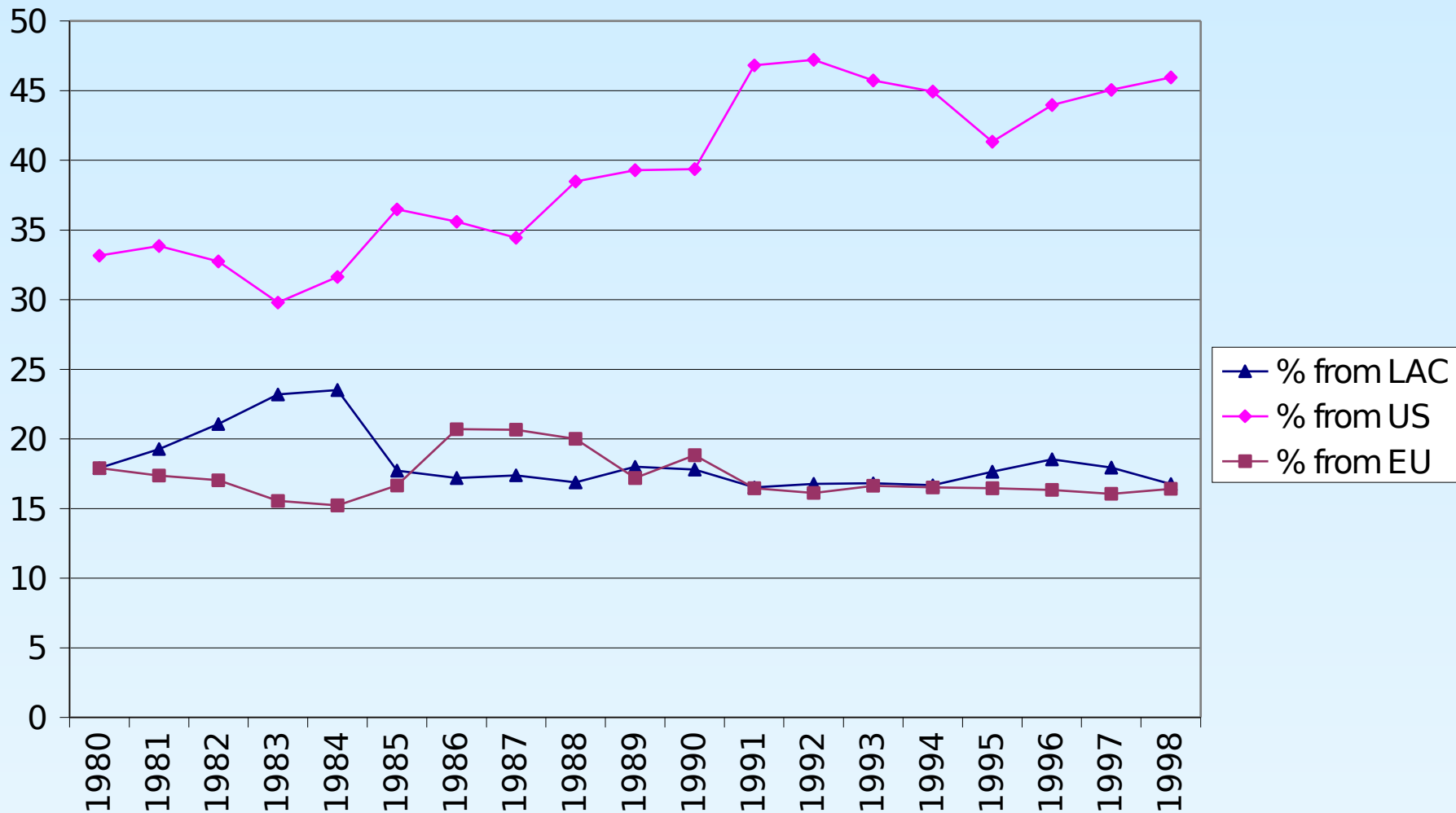
ANDEAN = Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

CACM = Bolivia, Colombia, Ecuador, Peru and Venezuela

CARICOM = The Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad & Tobago

Source: International Monetary Fund, Direction of Trade Statistics

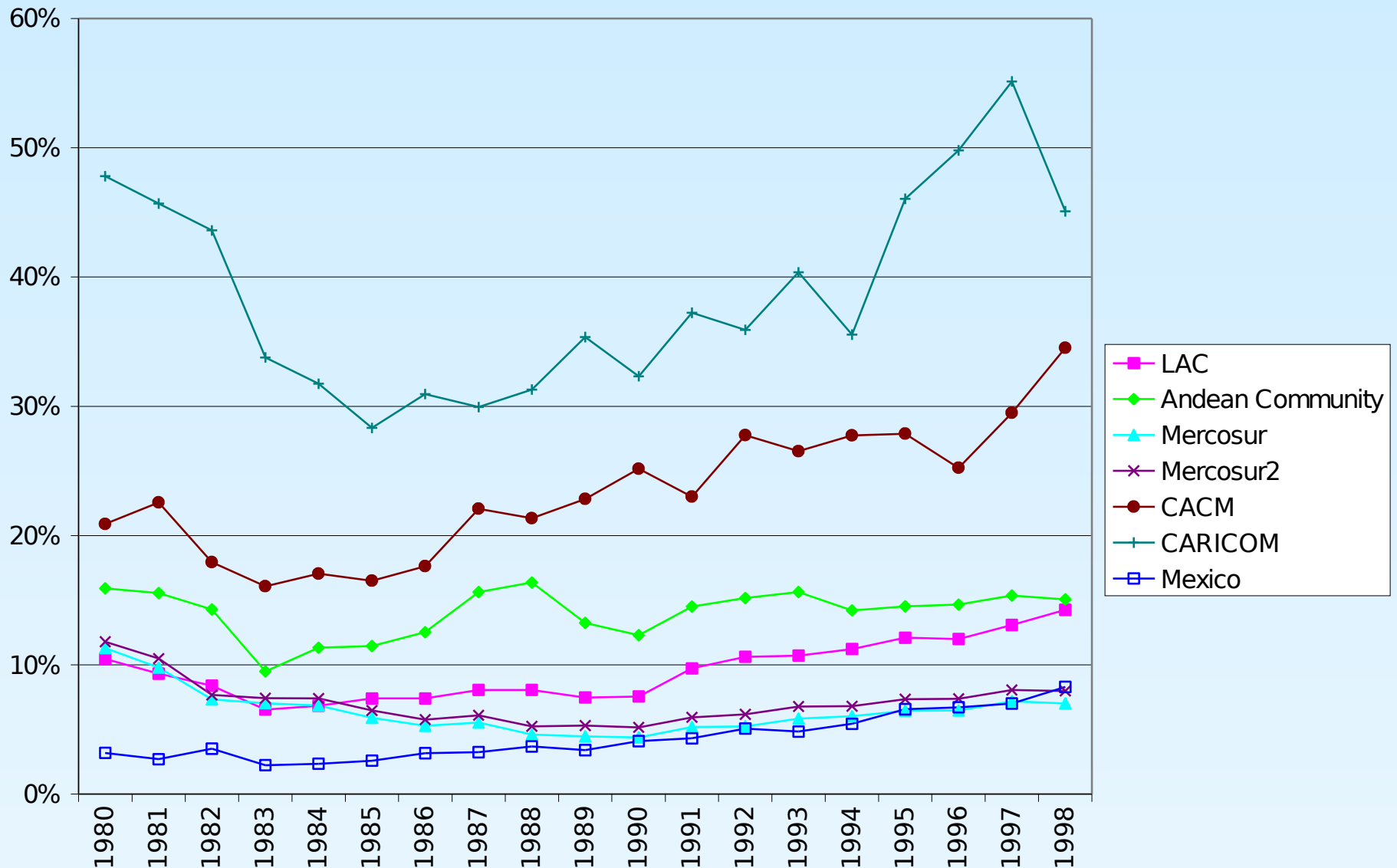
Imports to LAC



LAC = Argentina, The Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Netherland Antilles, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad & Tobago and Venezuela

European Union includes all members except for Belgium and Luxembourg

Extra-regional Imports (% of GDP)

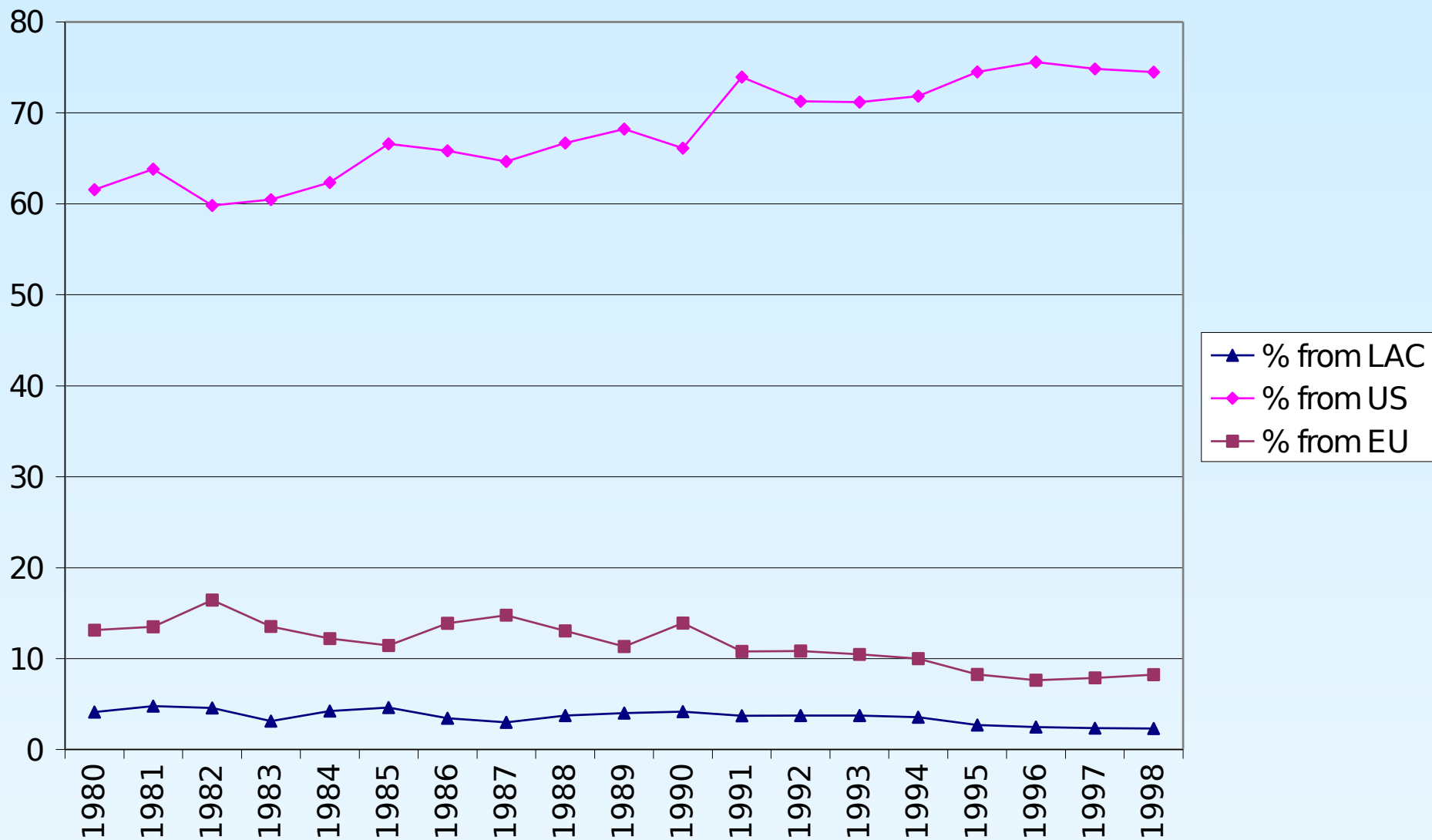


LAC =Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay and Venezuela

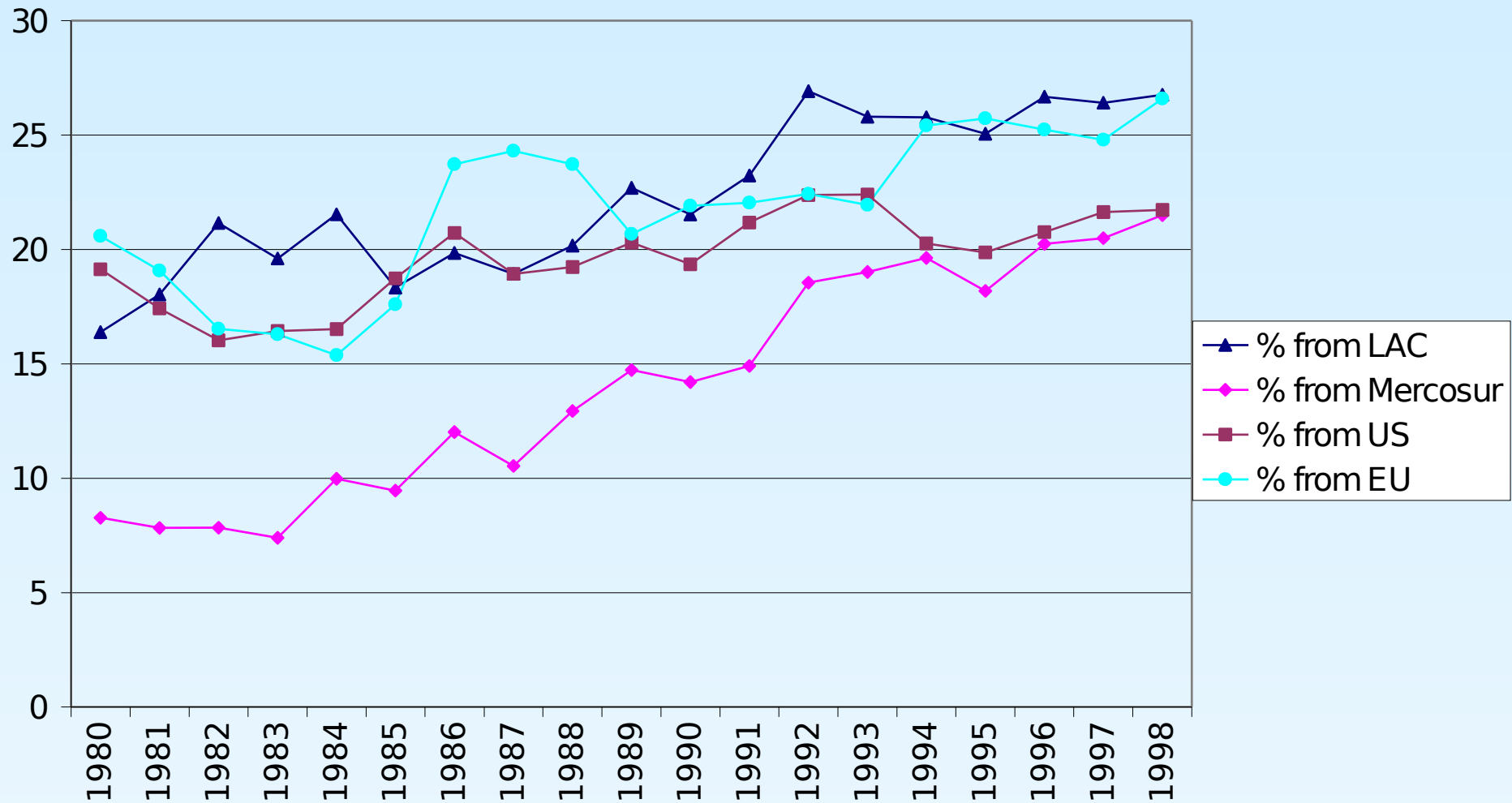
CACM =Costa Rica, El Salvador and Guatemala

CARICOM = Jamaica and Trinidad & Tobago

Imports to Mexico

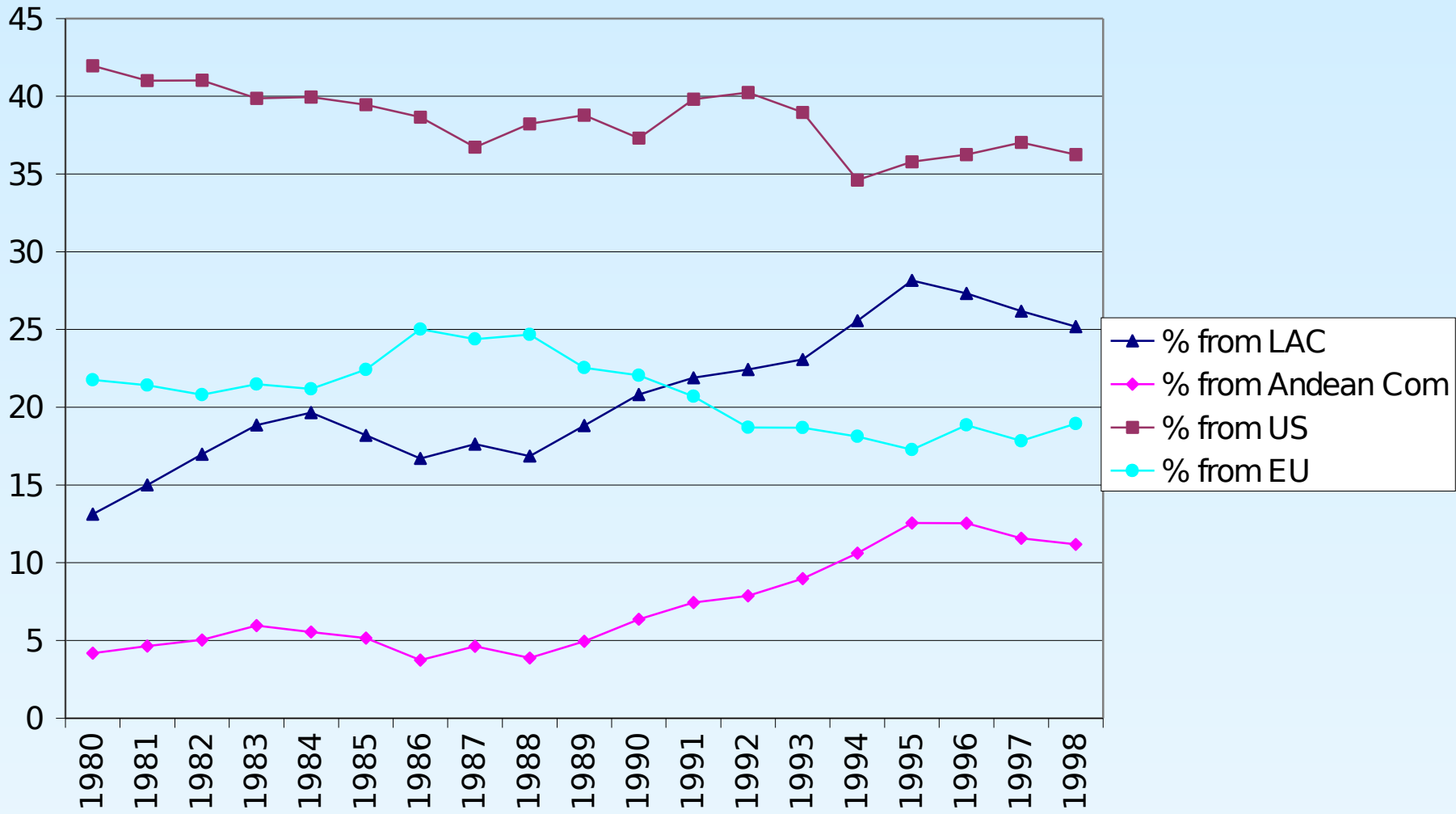


Imports to Mercosur



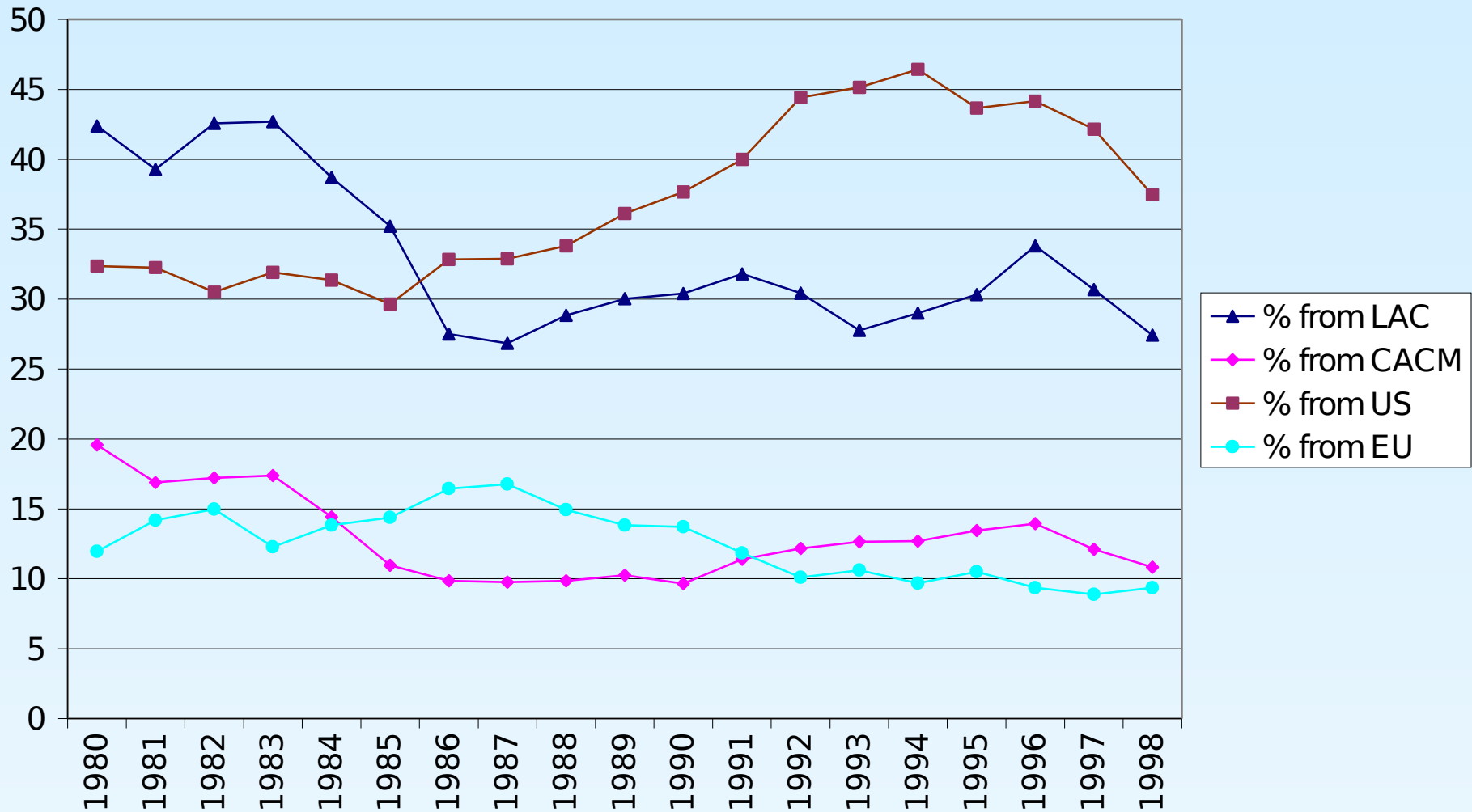
Mercosur = Argentina, Brazil, Paraguay and Uruguay

Imports to Andean Community



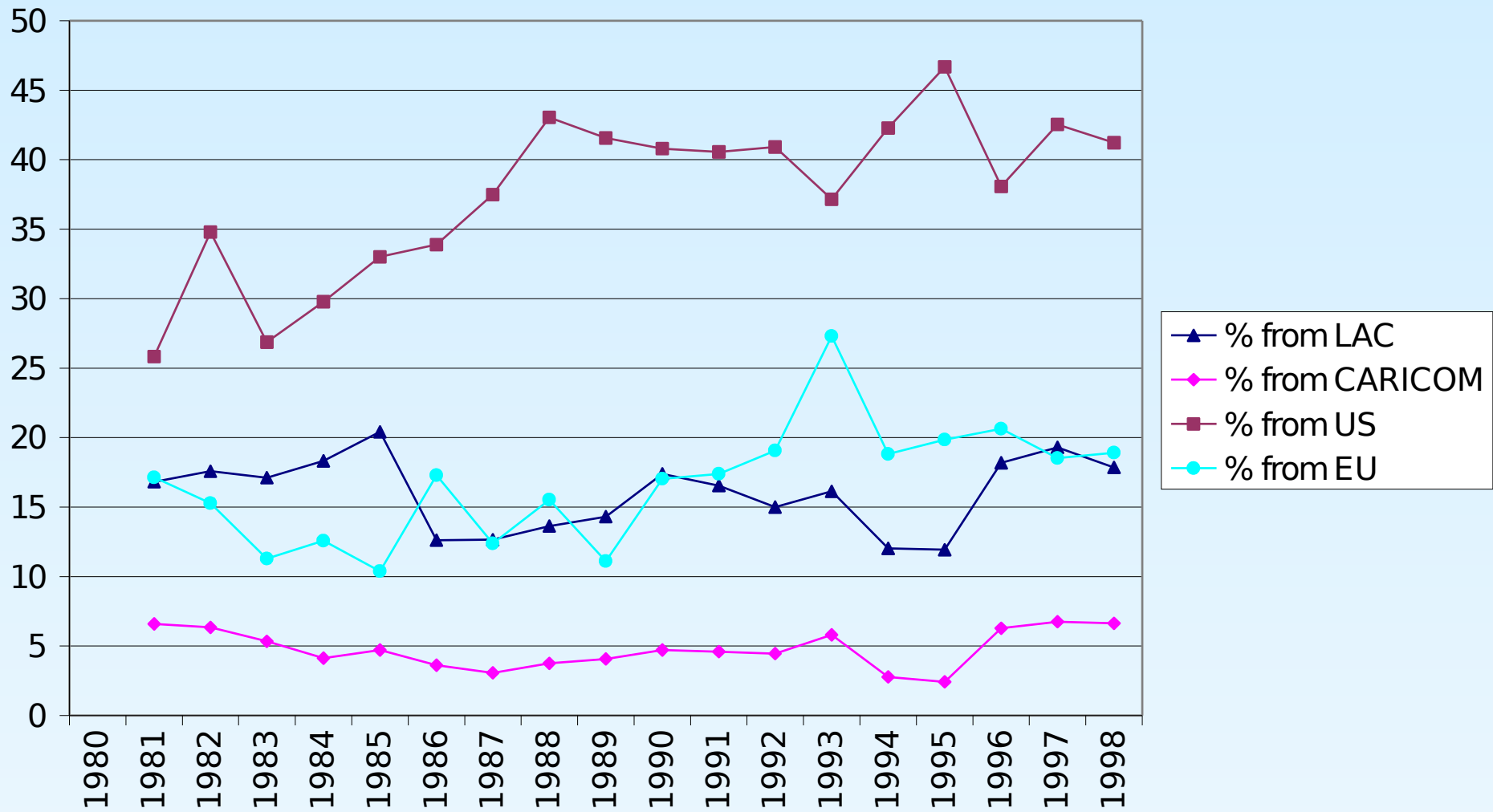
Andean Community = Bolivia, Colombia, Ecuador, Peru and Venezuela

Imports to CACM



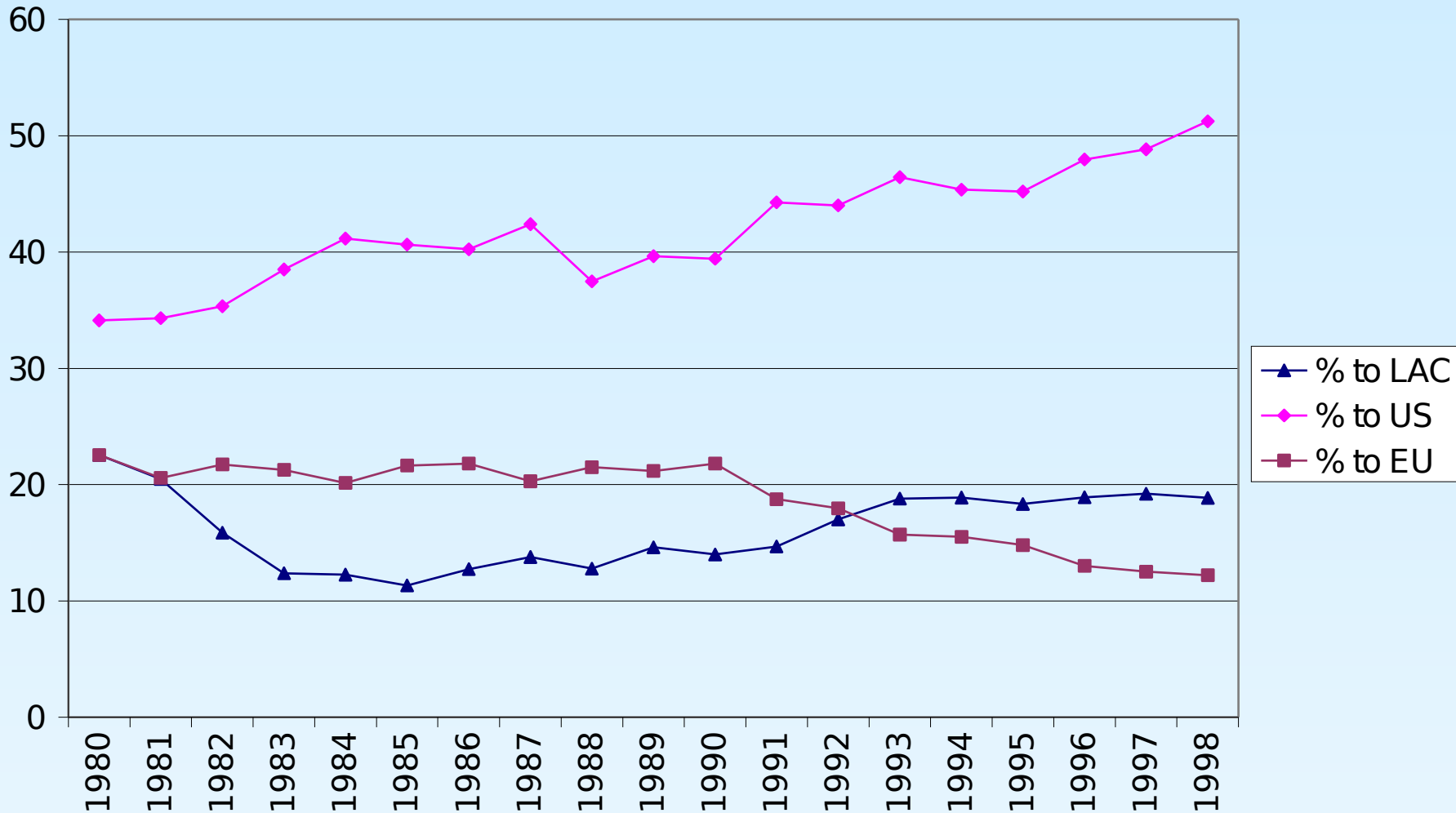
CACM = Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

Imports to CARICOM



CARICOM =The Bahamas, Barbados, Guyana, J amaica, Suriname and Trinidad & Tobago

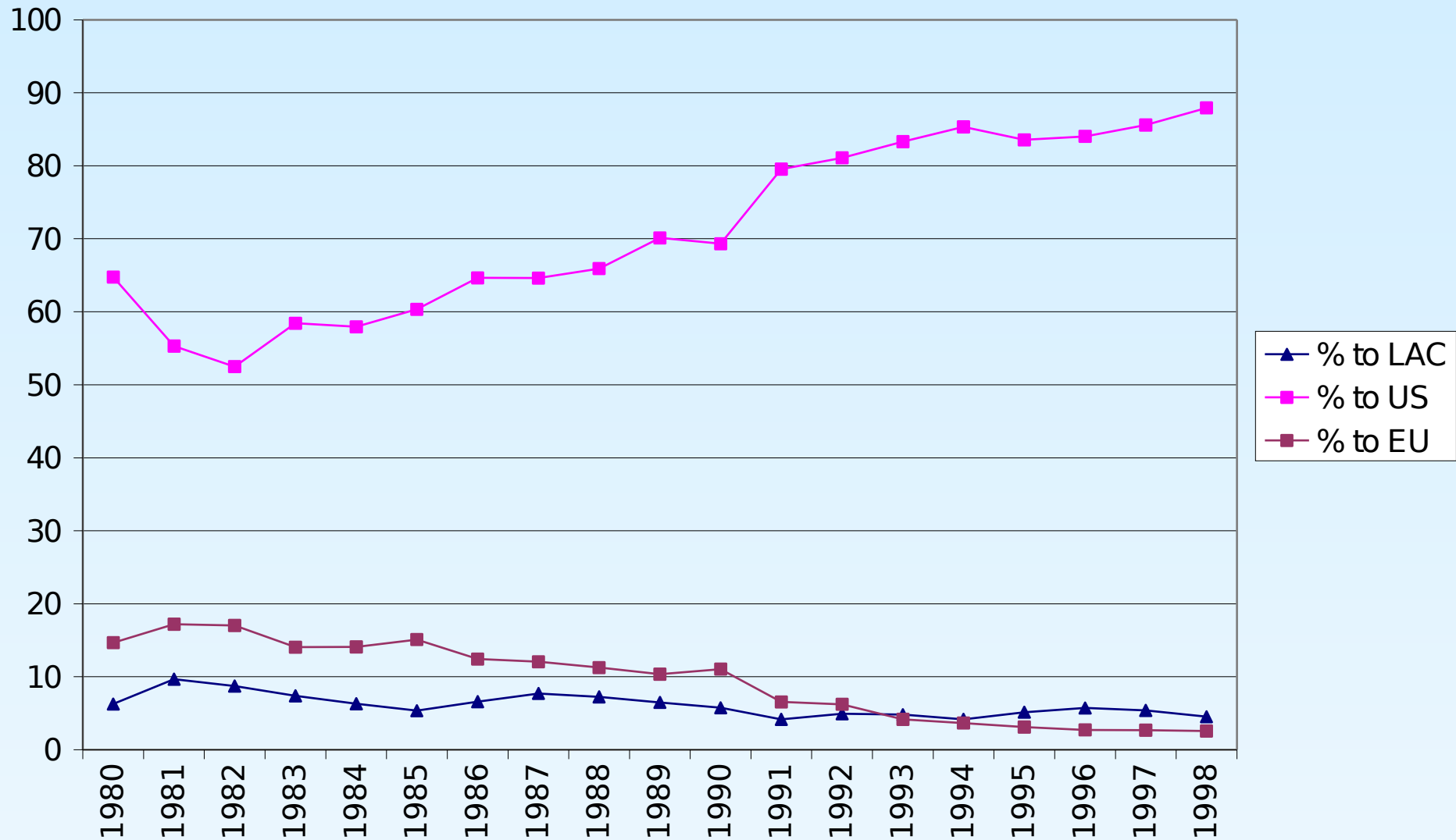
Exports from LAC



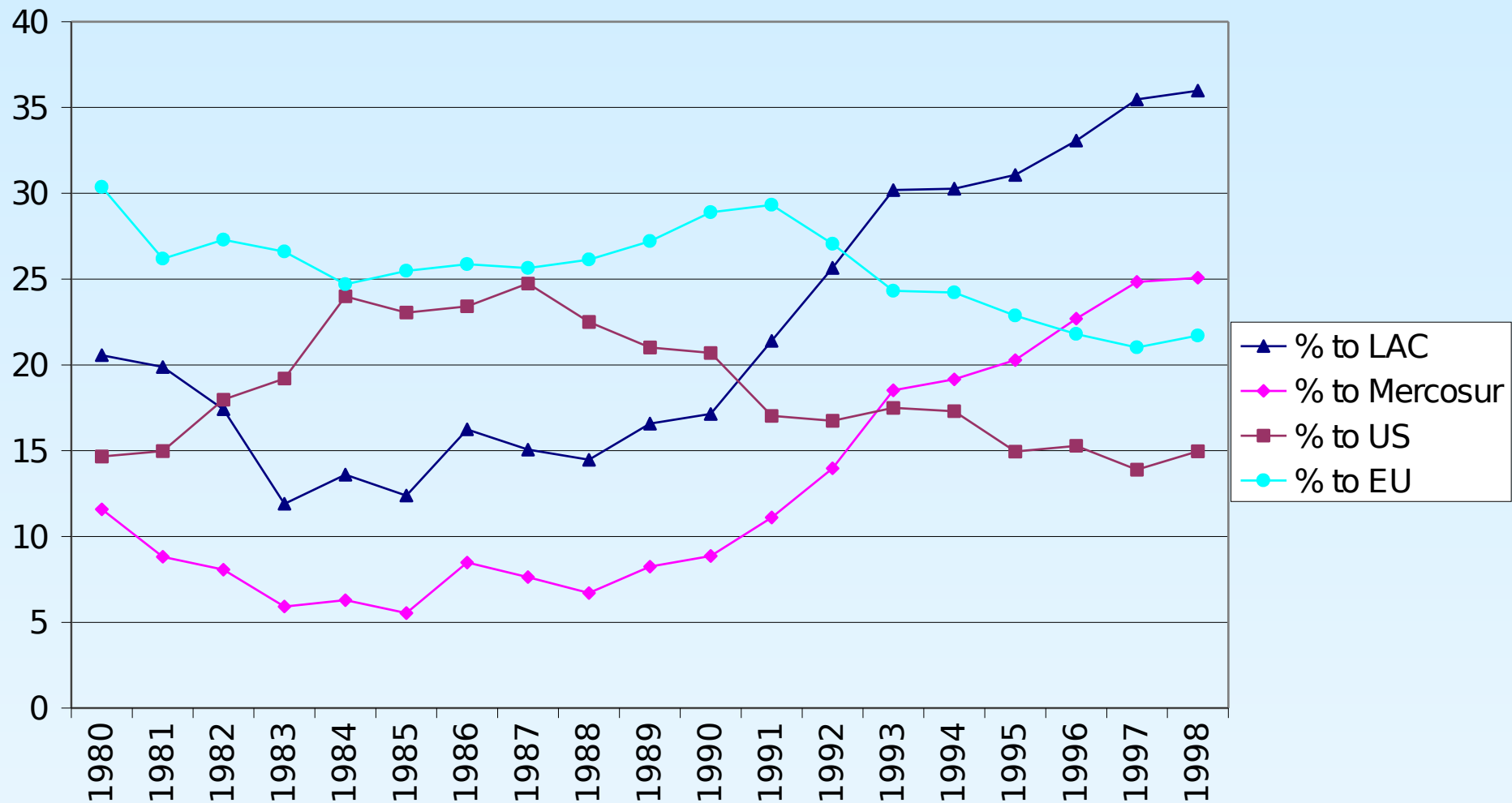
LAC = Argentina, The Bahamas, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Netherland Antilles, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad & Tobago and Venezuela

European Union includes all members except for Belgium and Luxembourg

Exports from Mexico

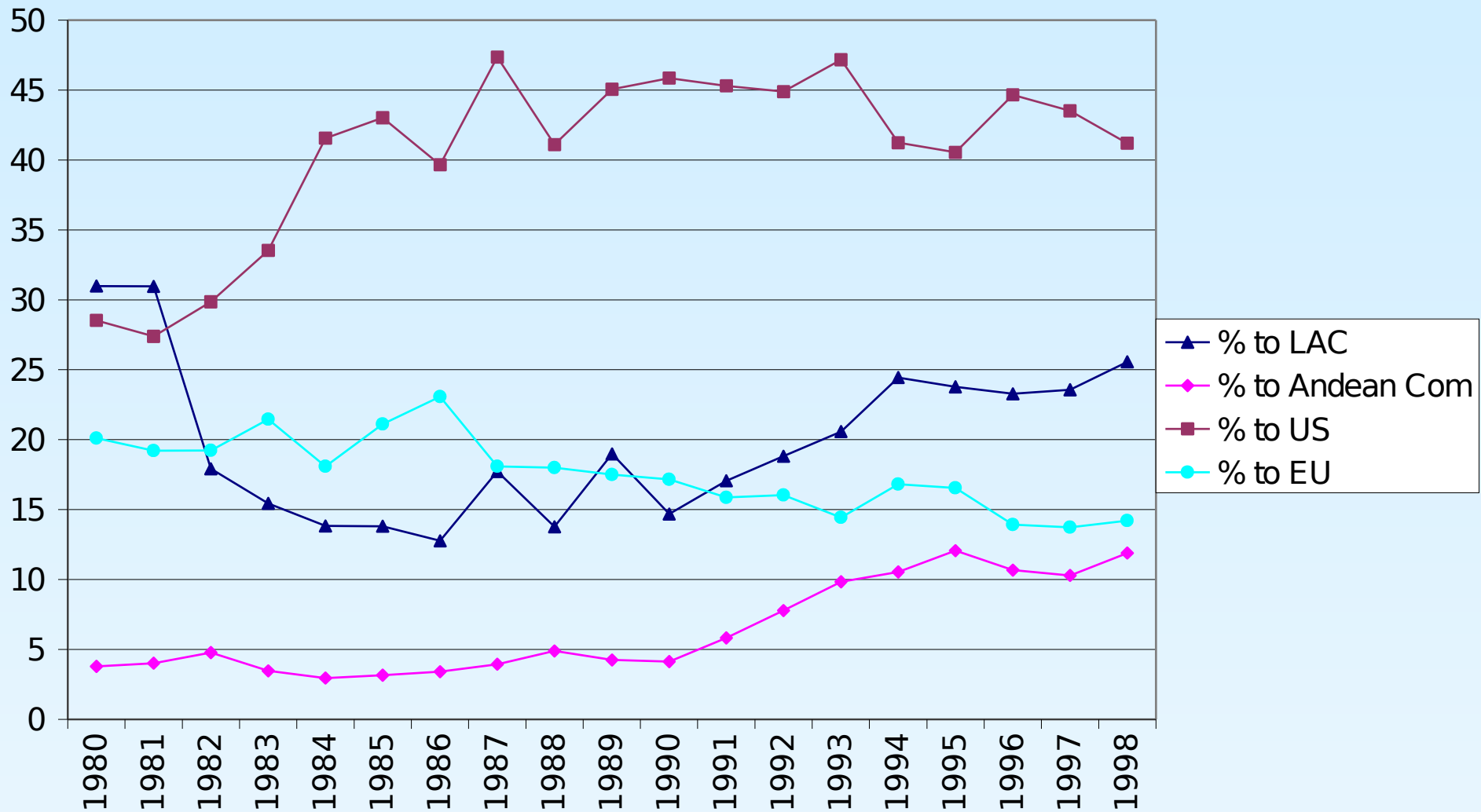


Exports from Mercosur



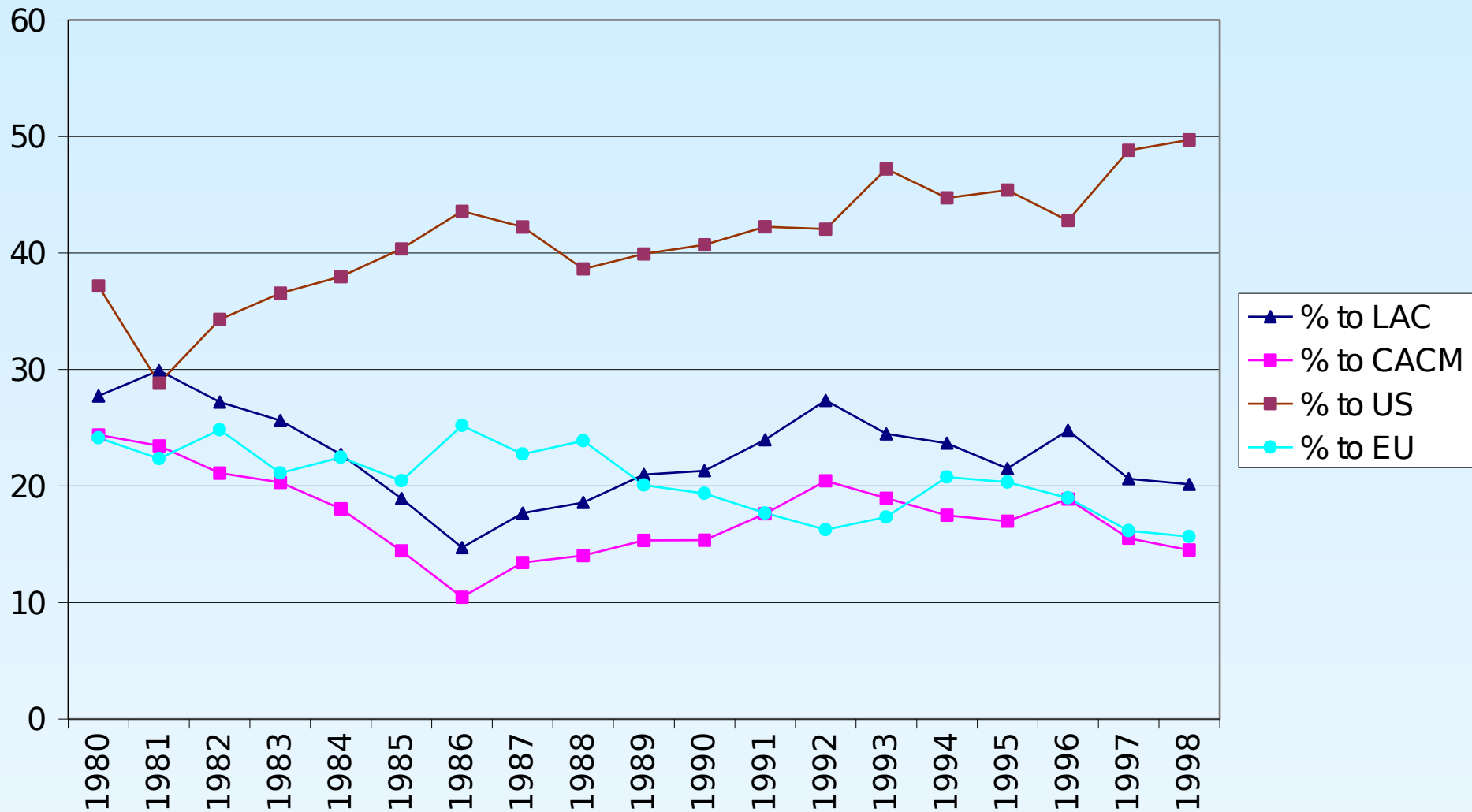
Mercosur = Argentina, Brazil, Paraguay and Uruguay

Exports from Andean Community



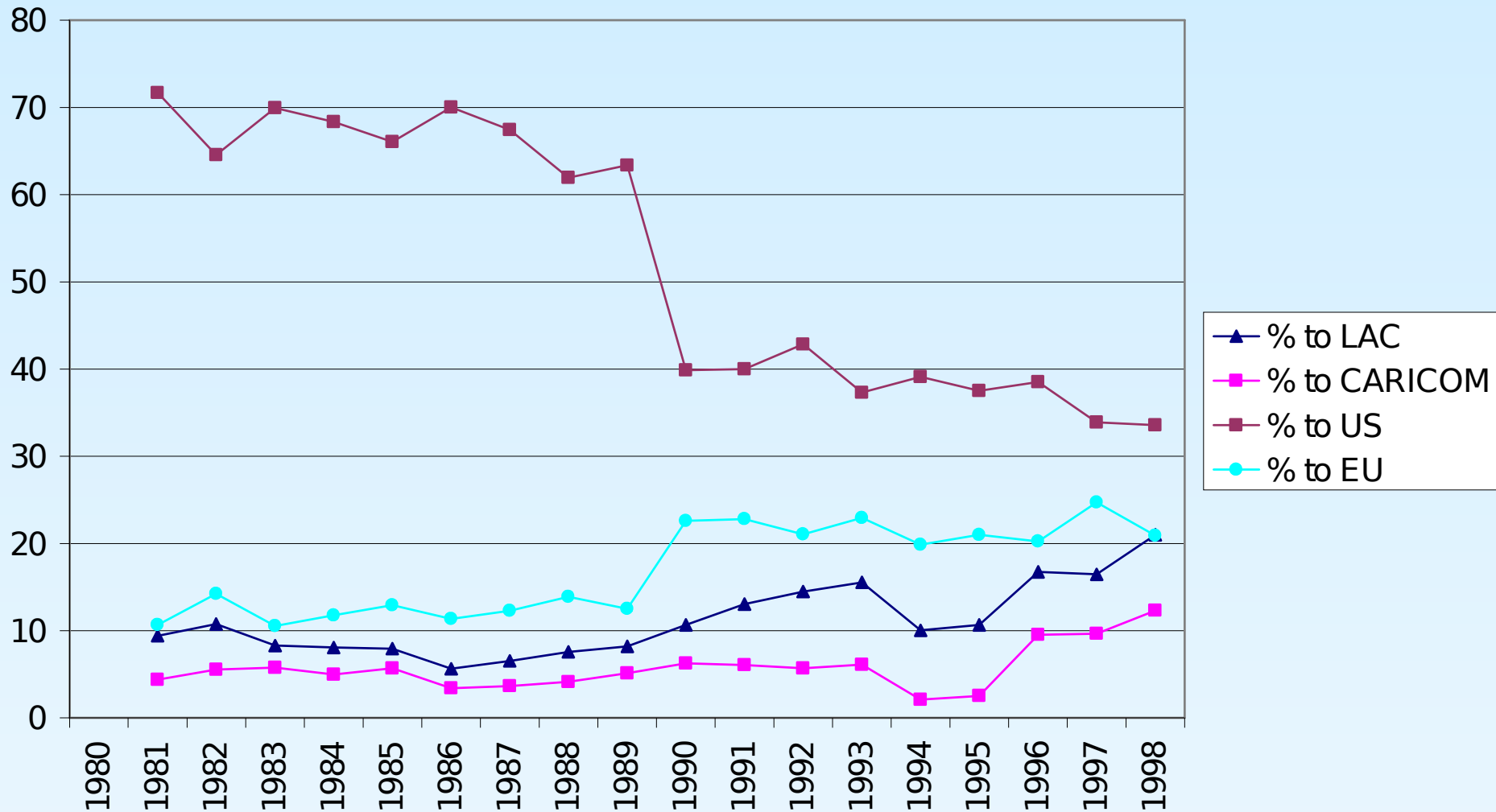
Andean Community = Bolivia, Colombia, Ecuador, Peru and Venezuela

Exports from CACM



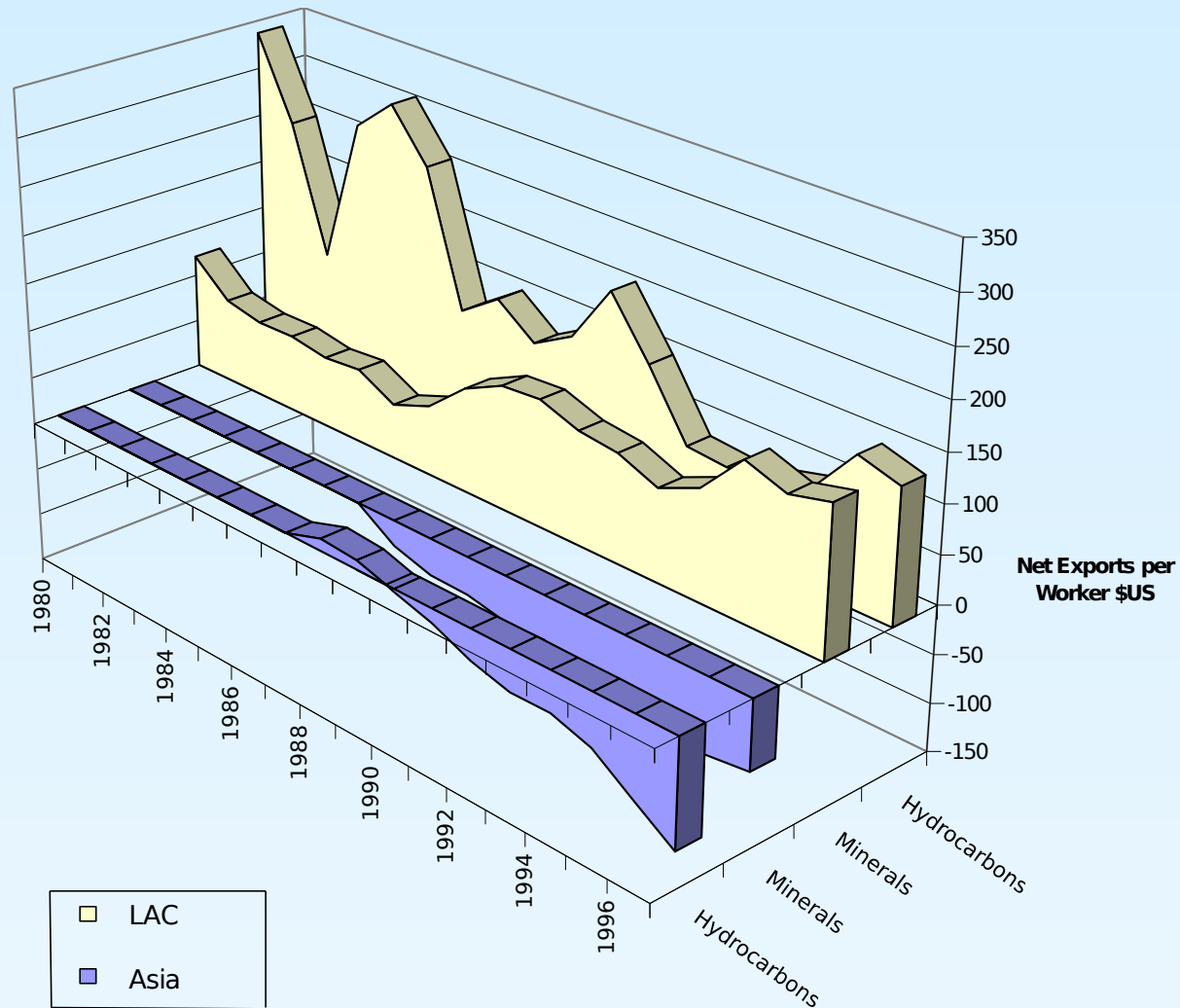
CACM = Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

Exports from CARICOM

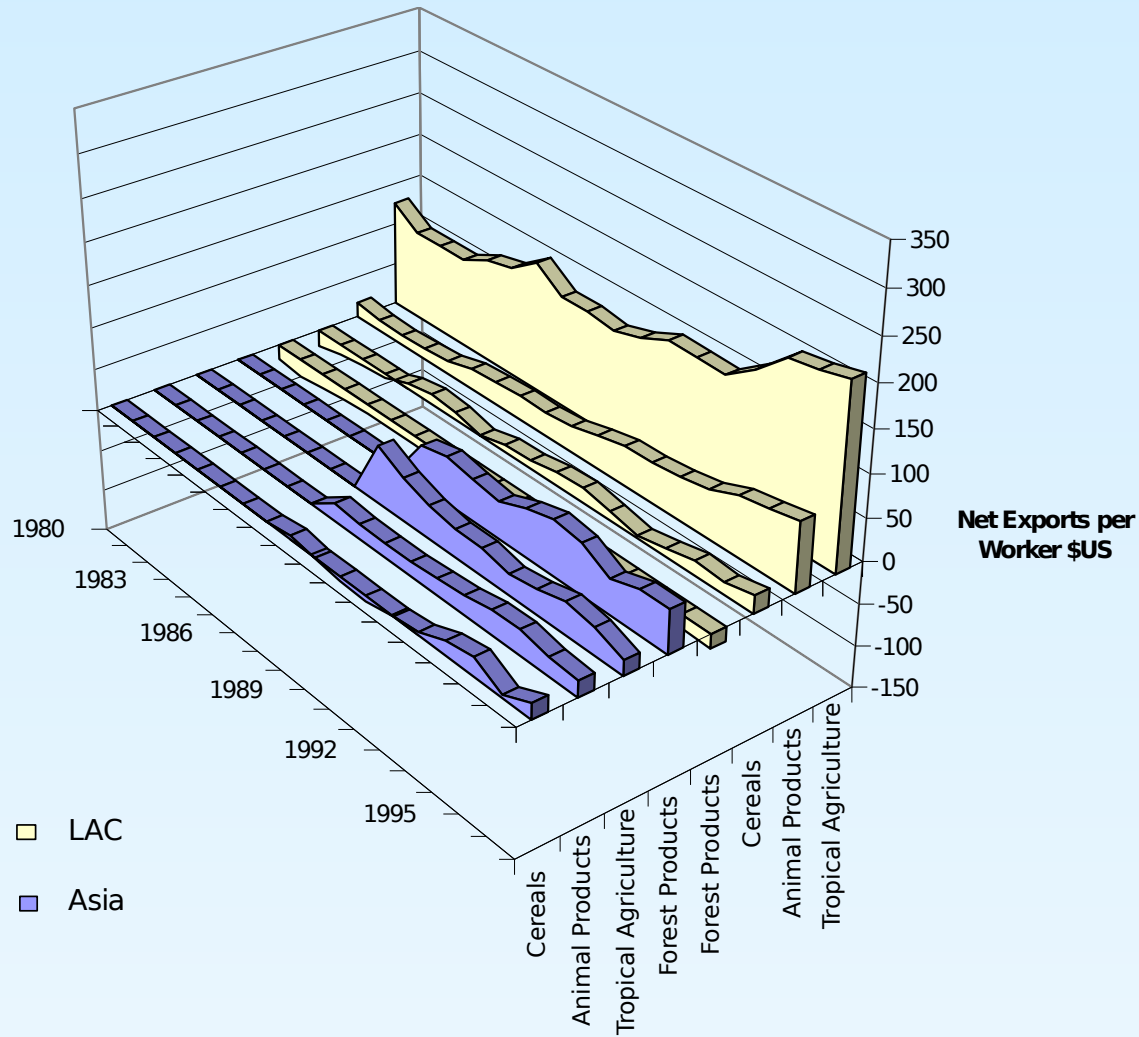


CARICOM =The Bahamas, Barbados, Guyana, J amaica, Suriname and Trinidad & Tobago

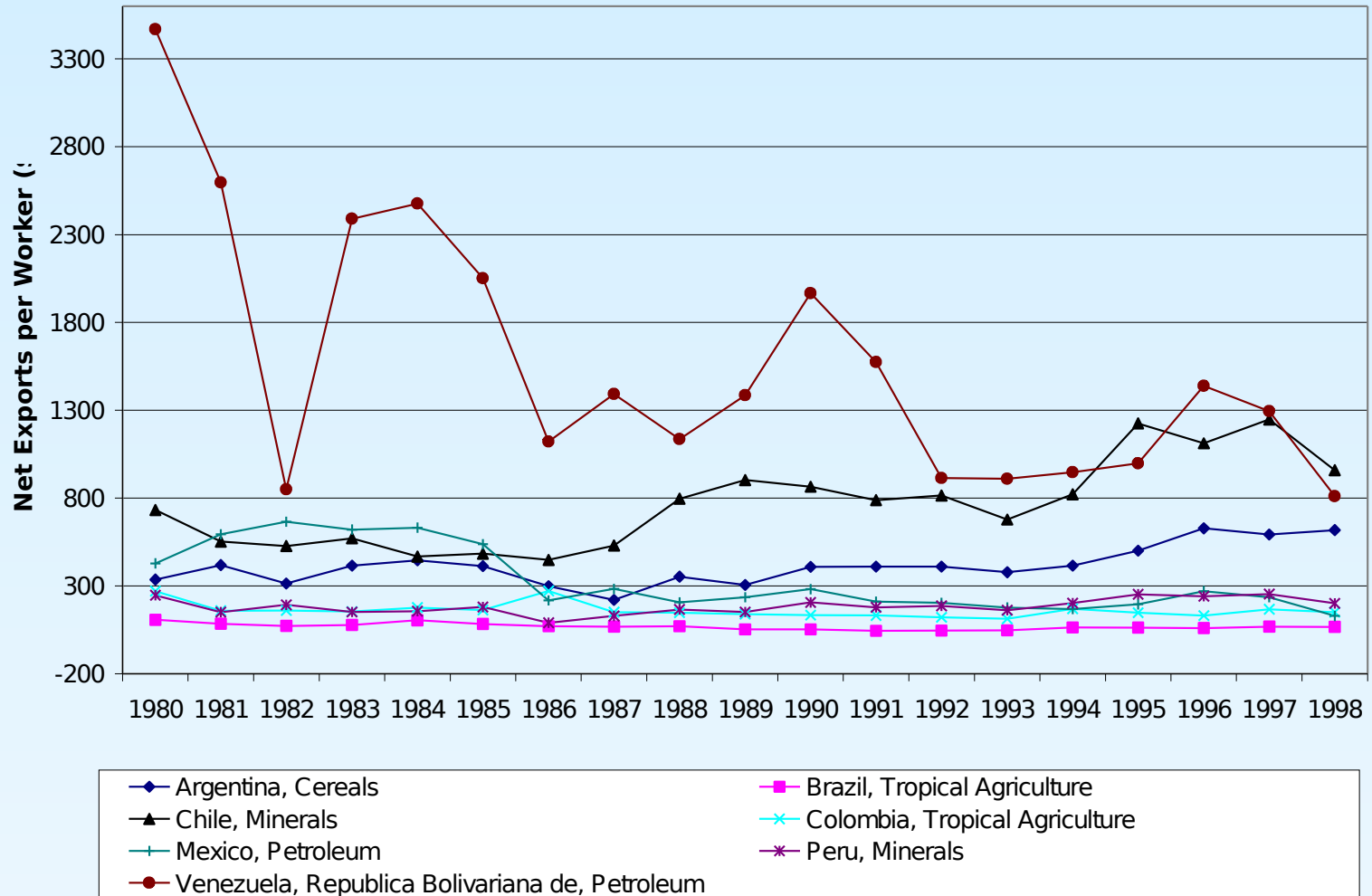
Hydrocarbons and Minerals- Regional Comparison



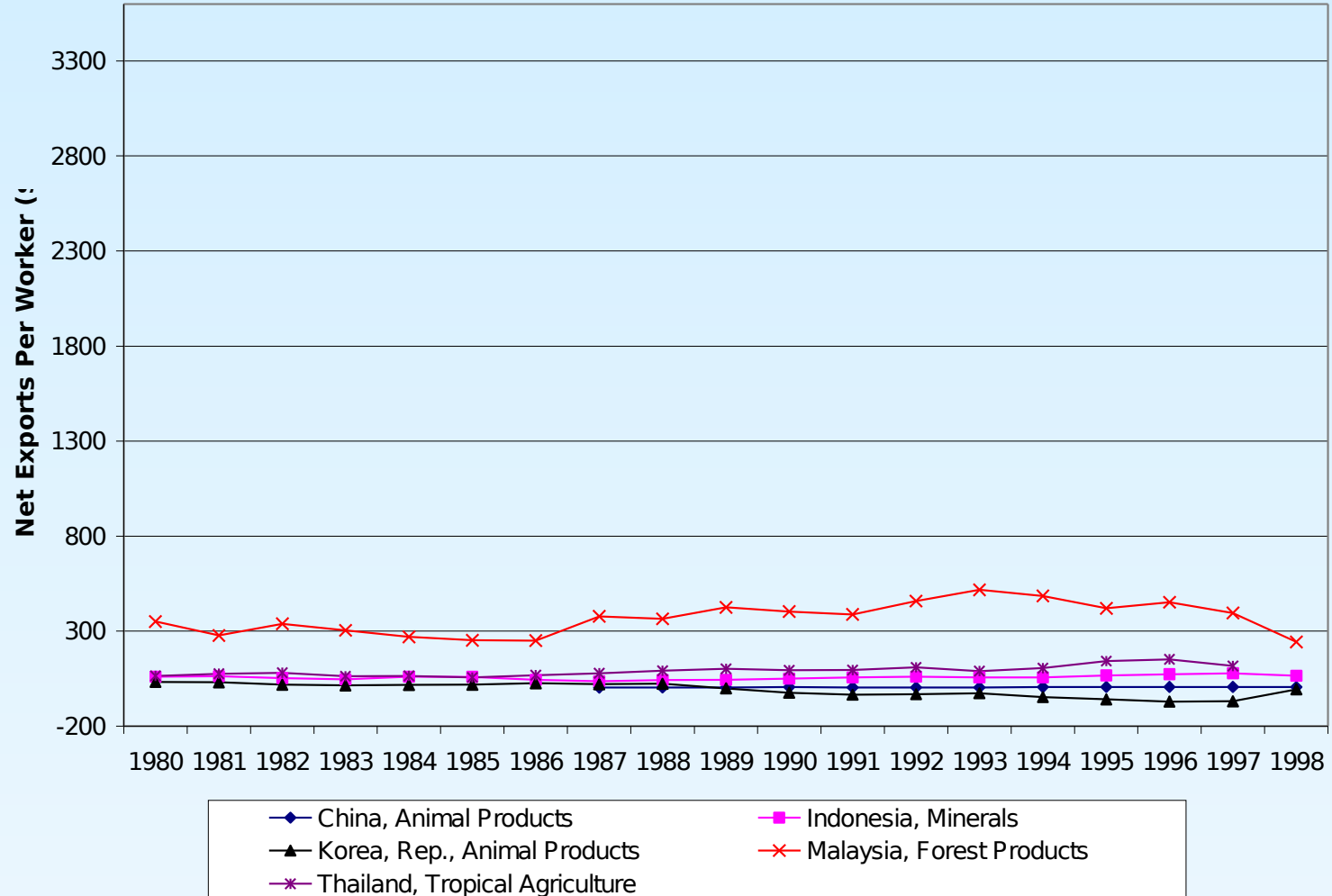
Land Intensive Commodities - Regional Comparison



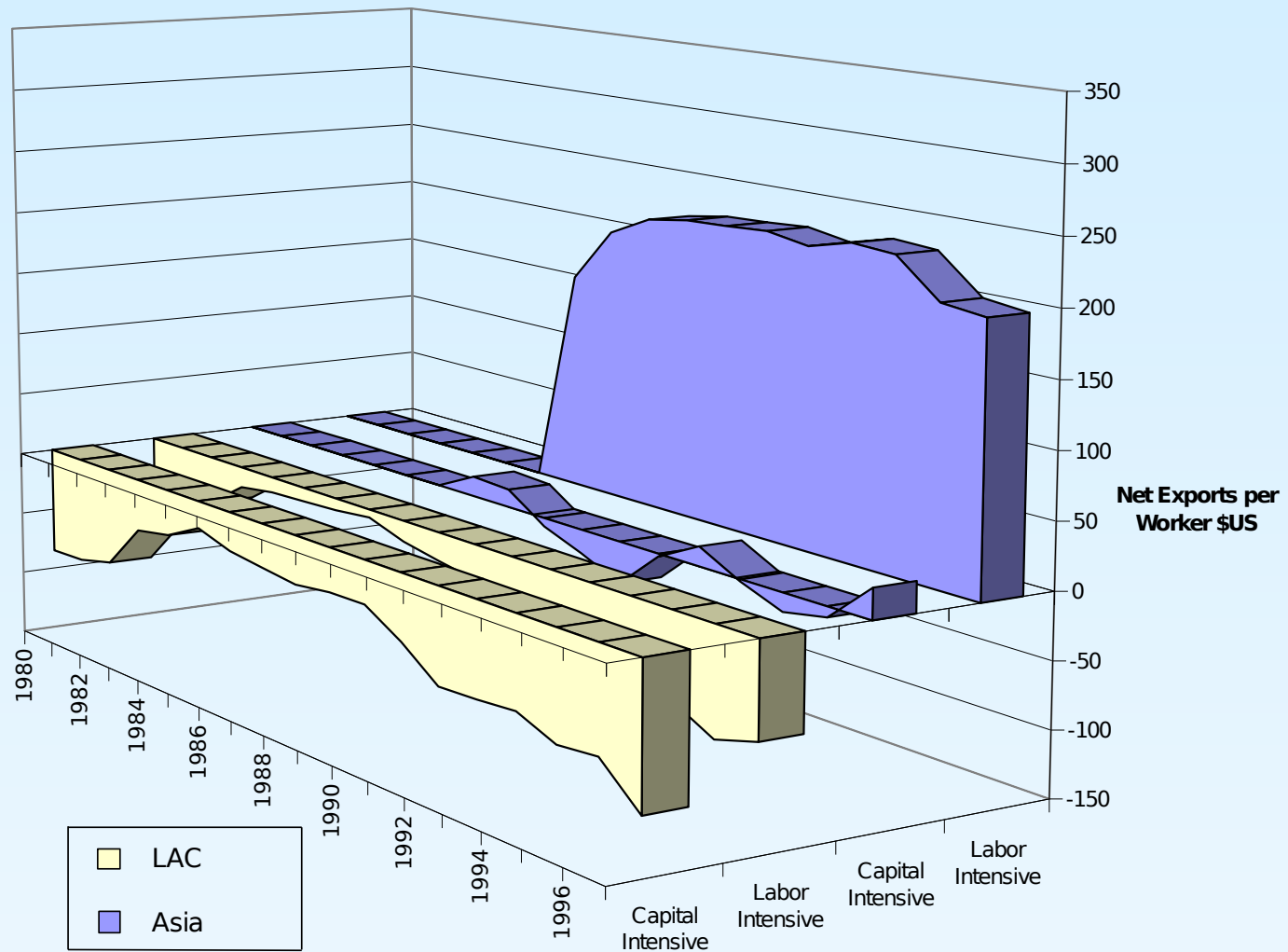
Major Natural Resource and Land Intensive Commodities - Latin America



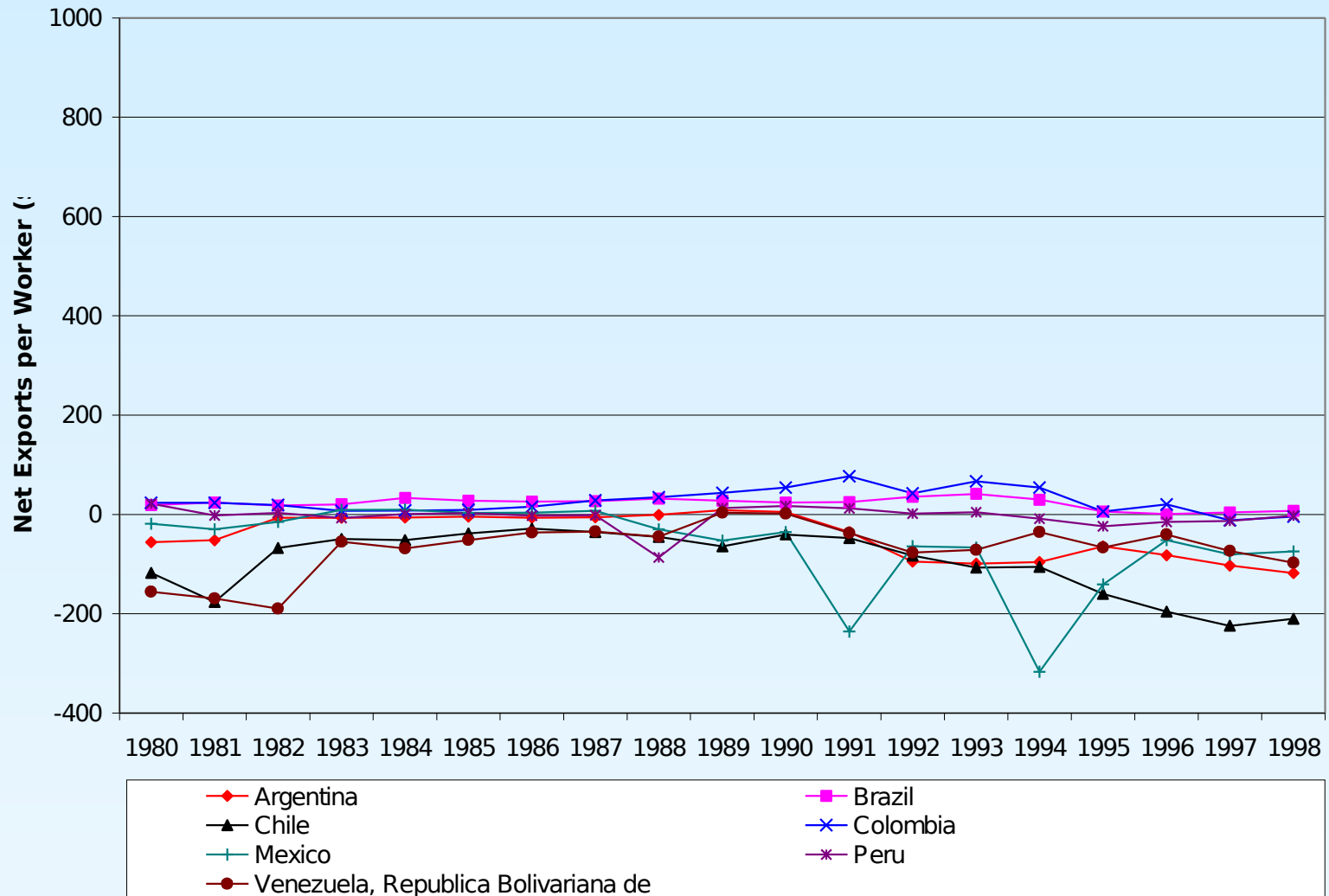
Major Natural Resource and Land Intensive Commodities - Asia



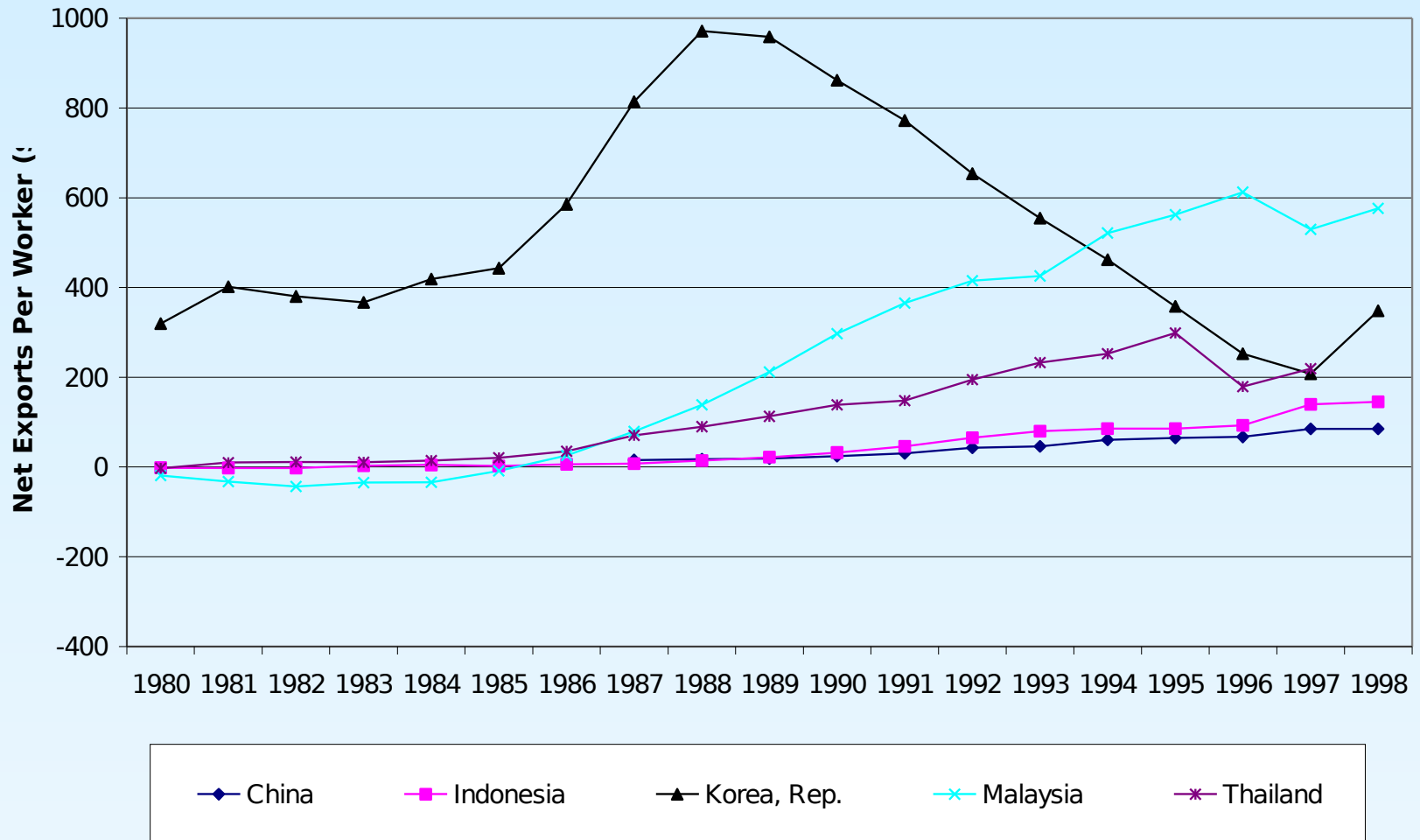
Labor and Capital Intensive Merchandise - Regional Comparison



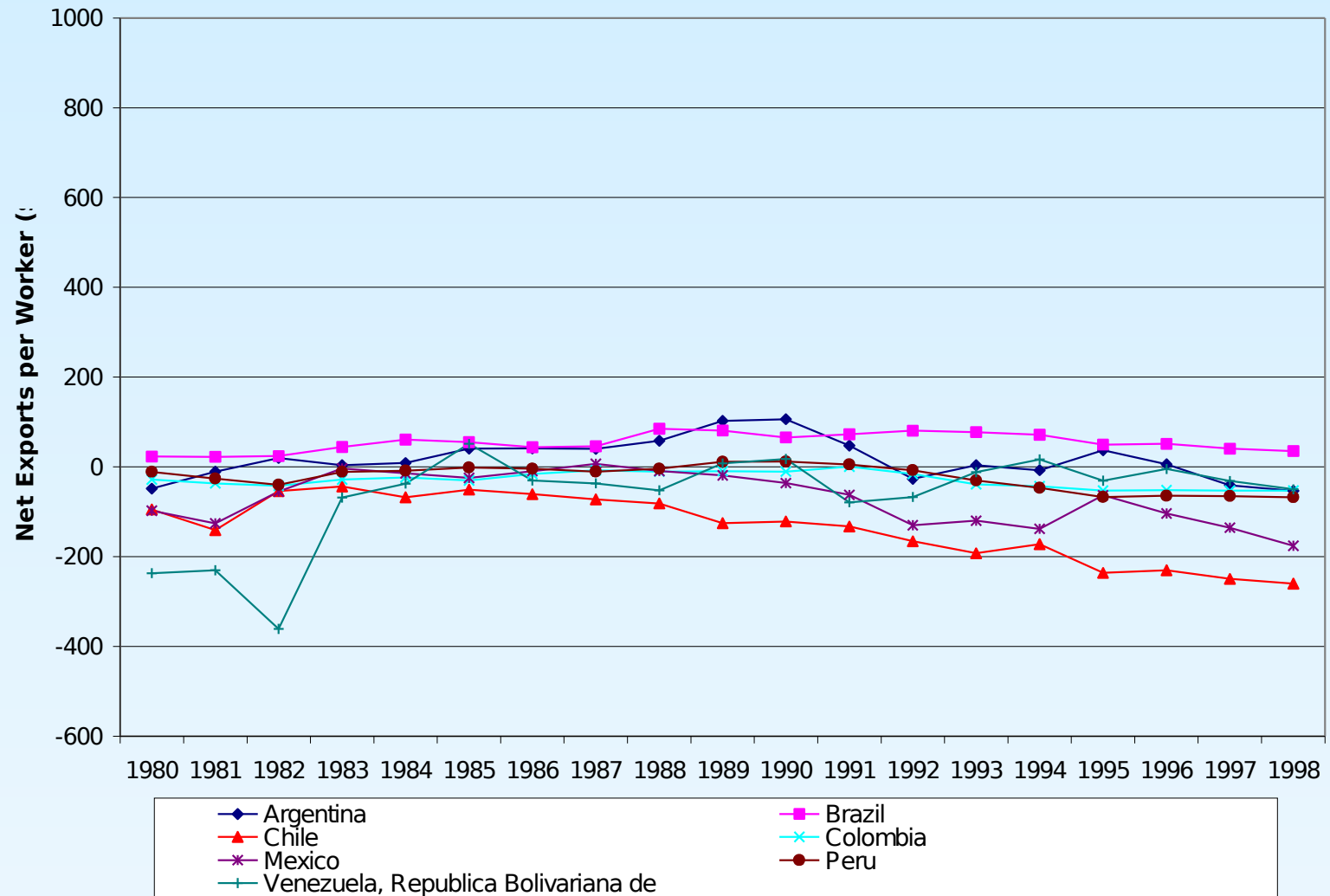
Labor Intensive Merchandise - Latin America



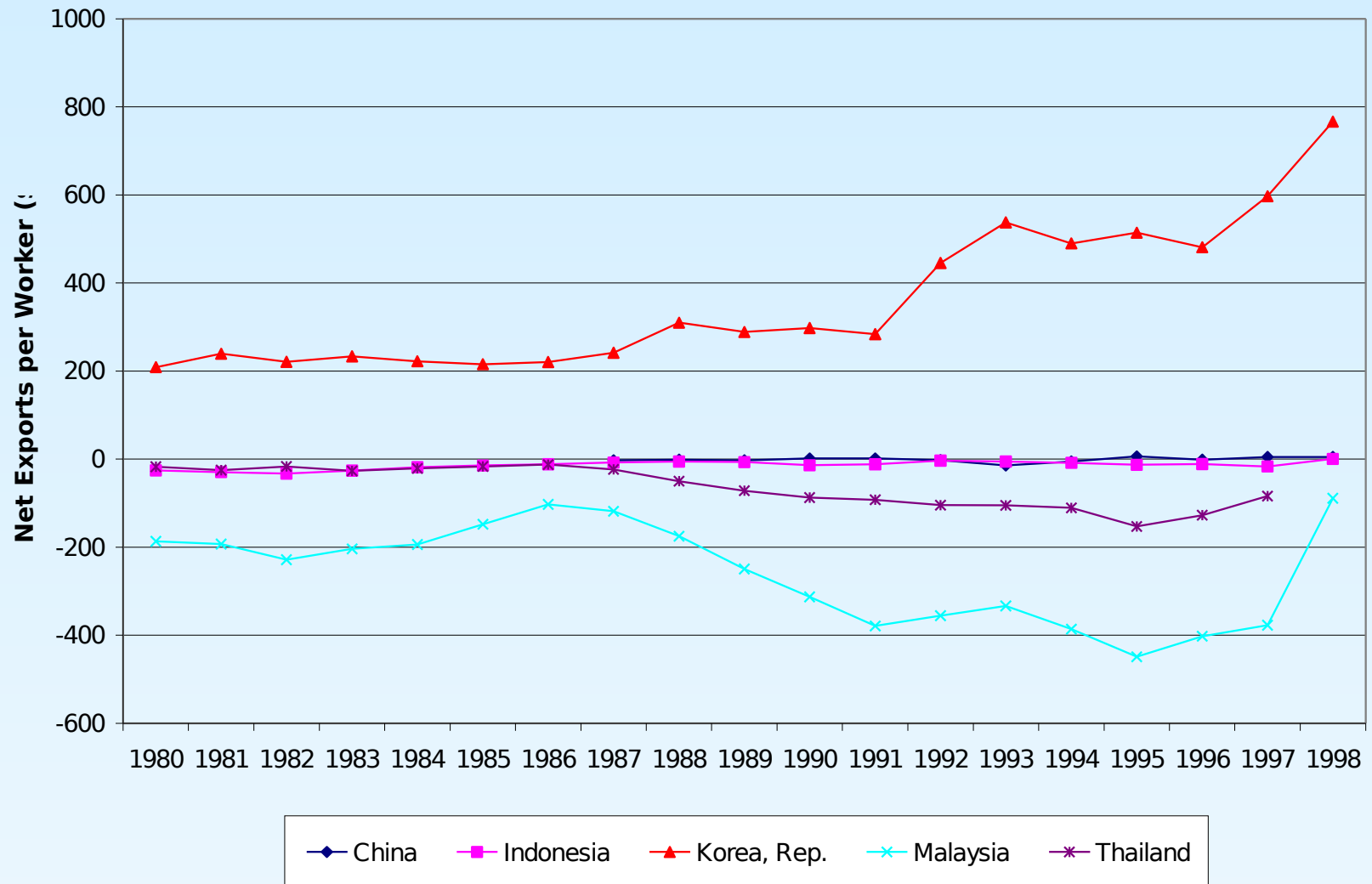
Labor Intensive Merchandise - Asia



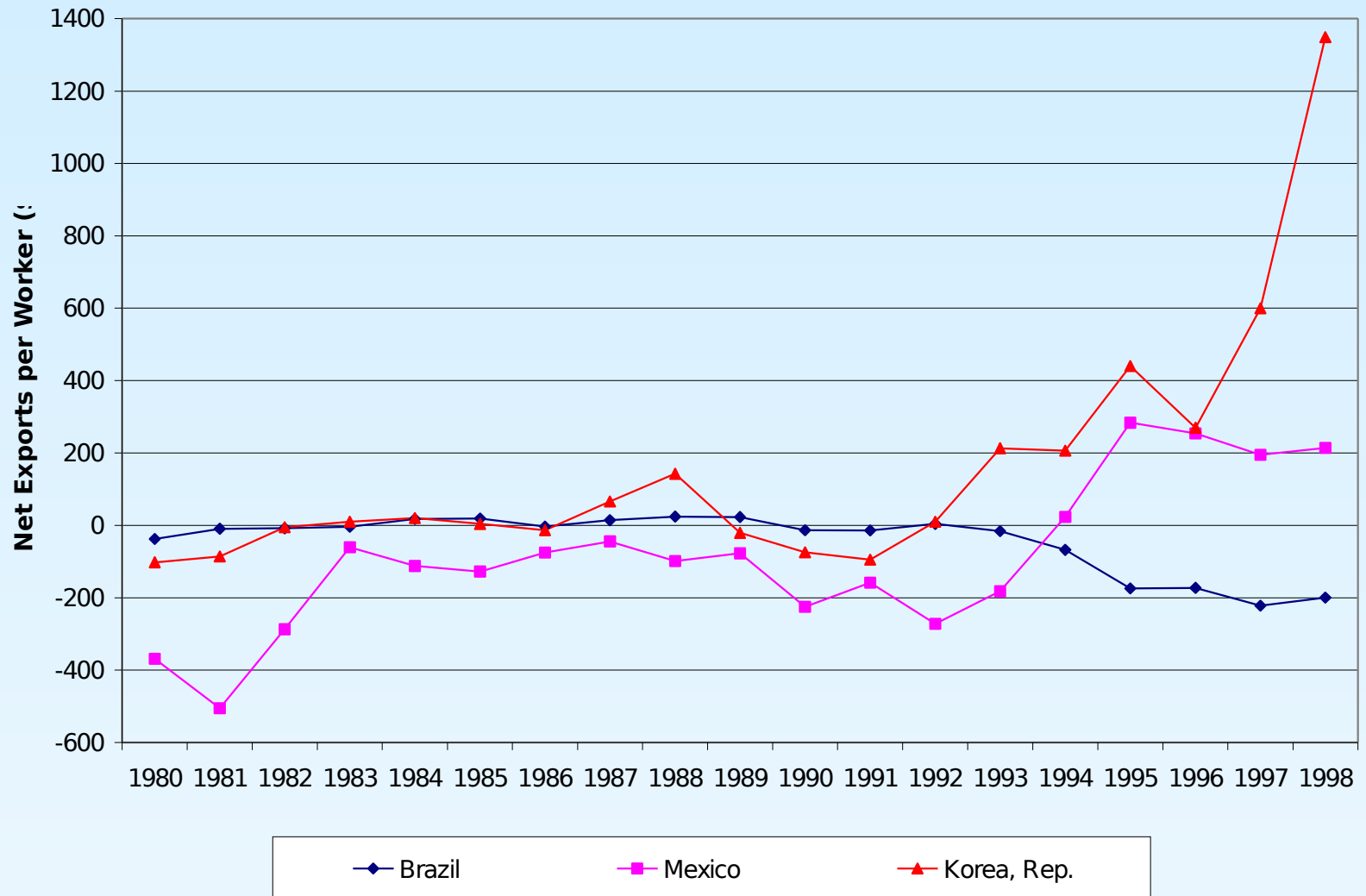
Capital Intensive Merchandise - Latin America



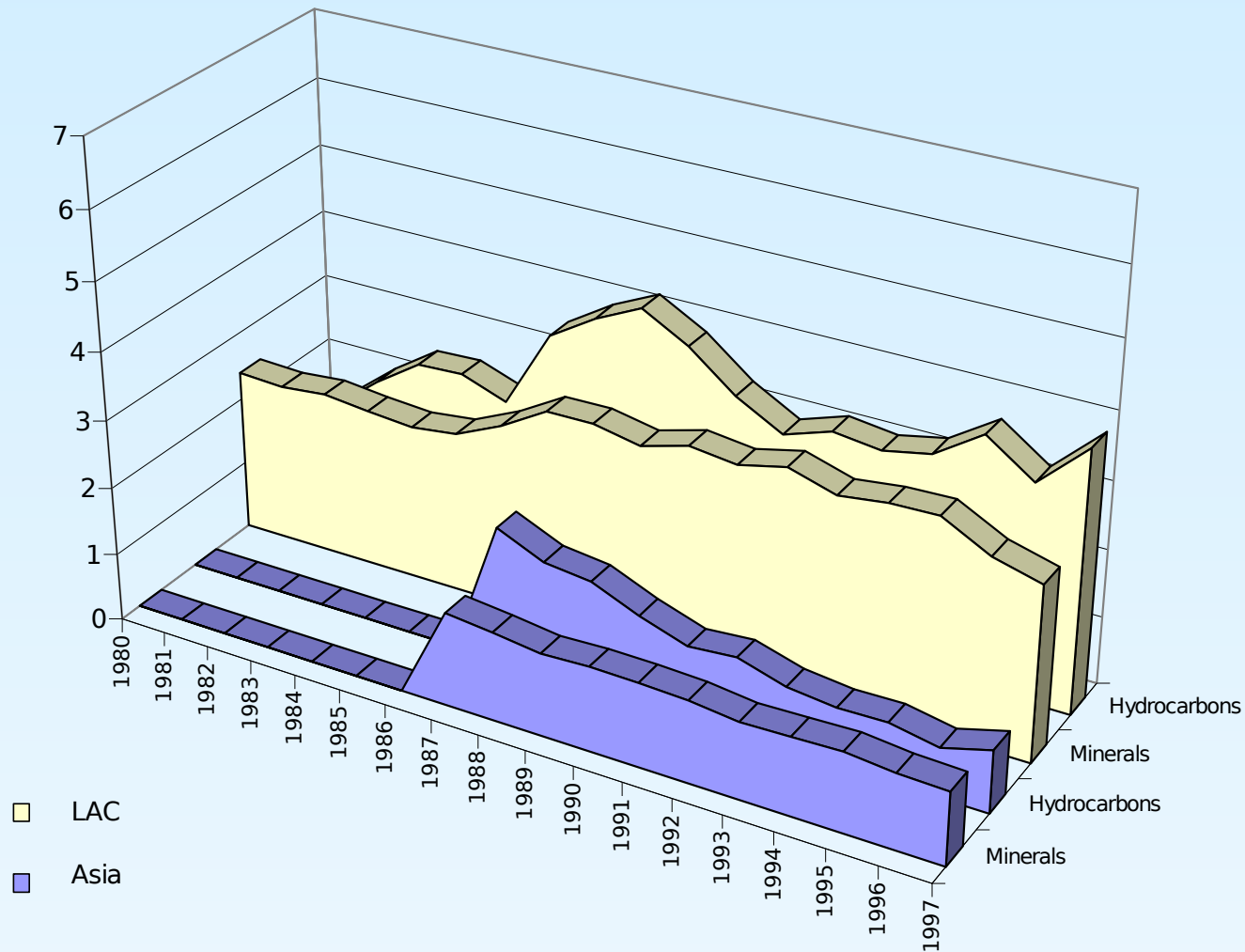
Capital Intensive Merchandise - Asia



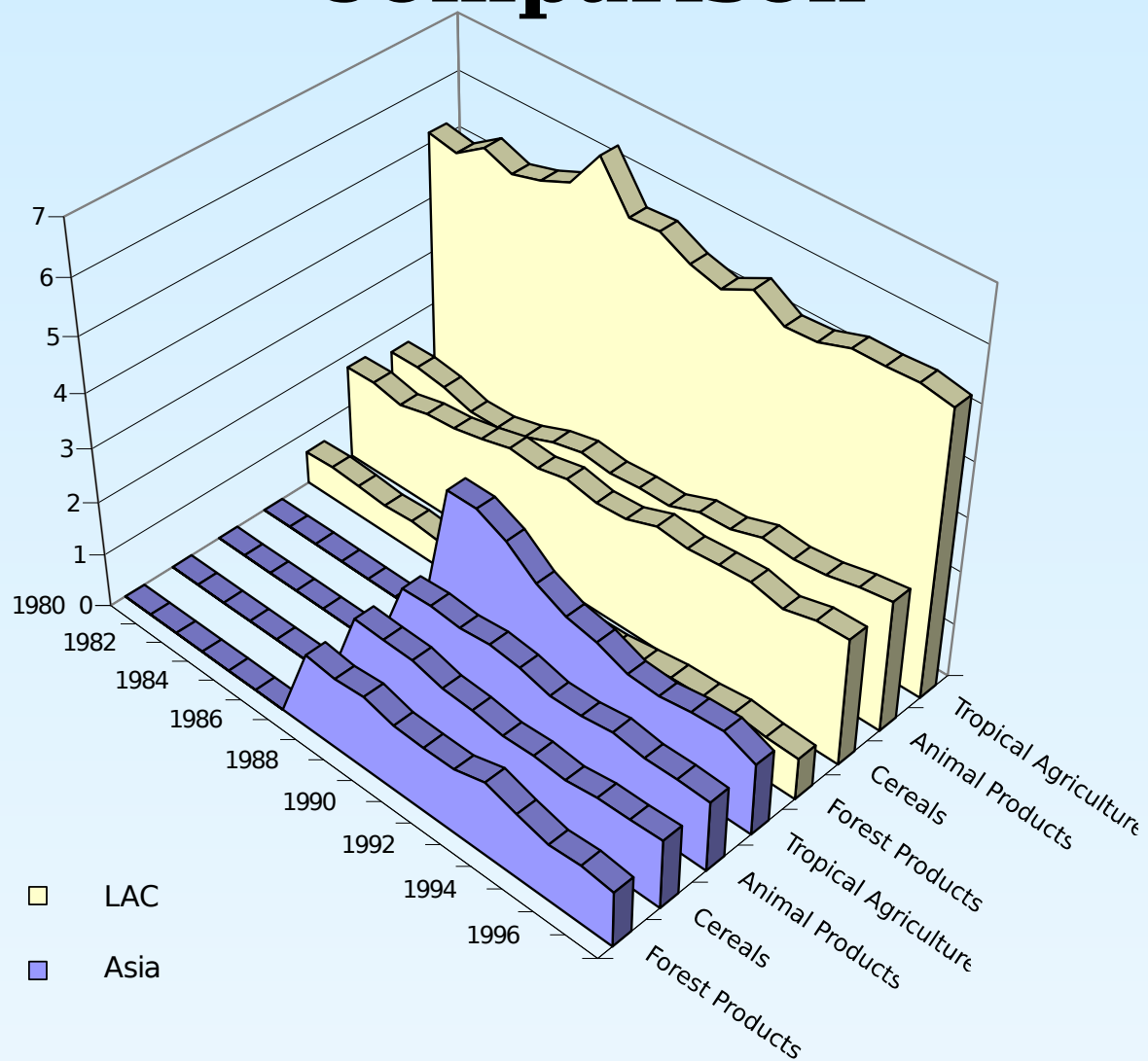
Machinery



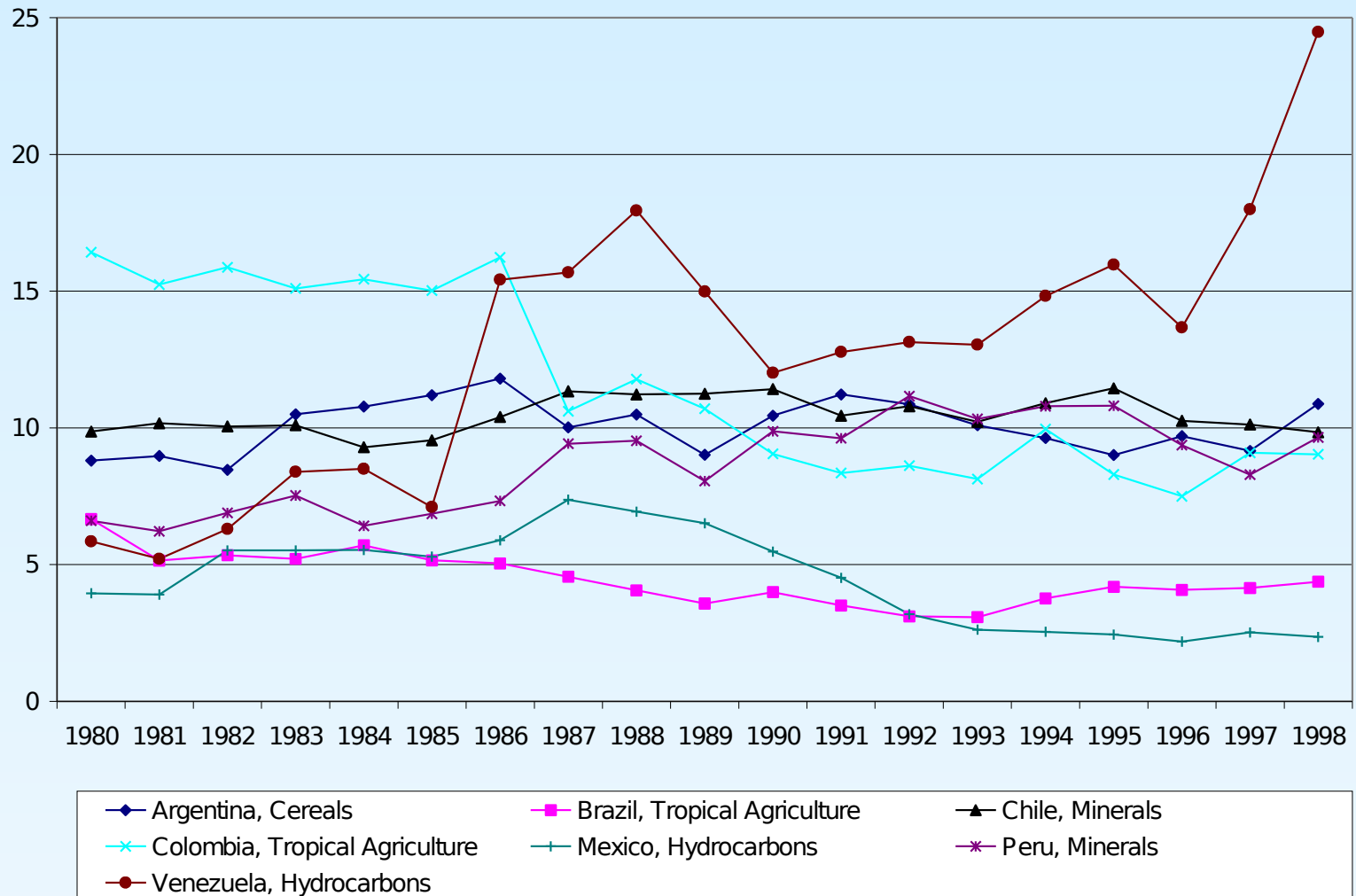
Balassa Index: Hydrocarbons and Minerals - Regional Comparison



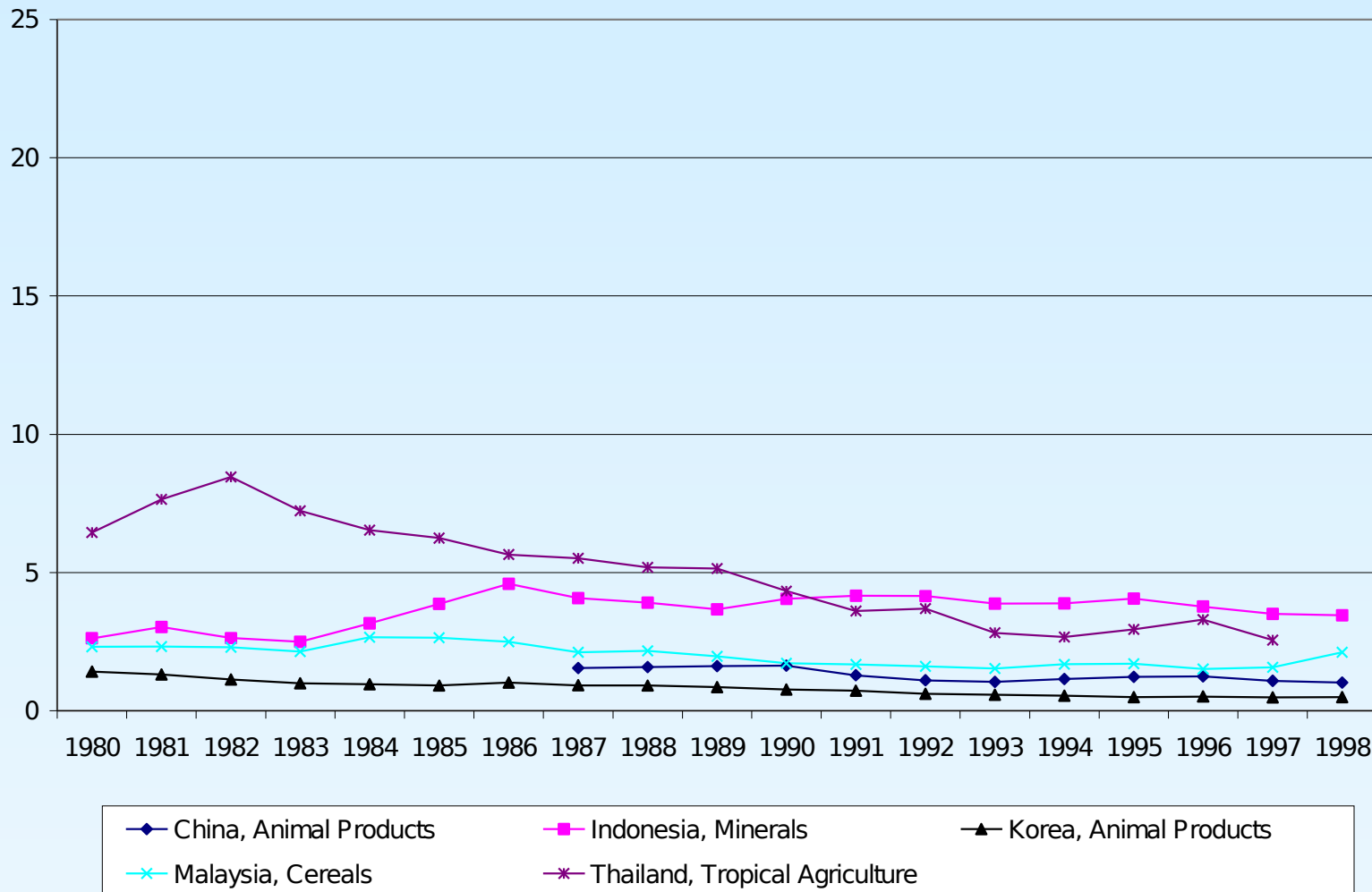
Balassa Index: Land Intensive Commodities - Regional Comparison



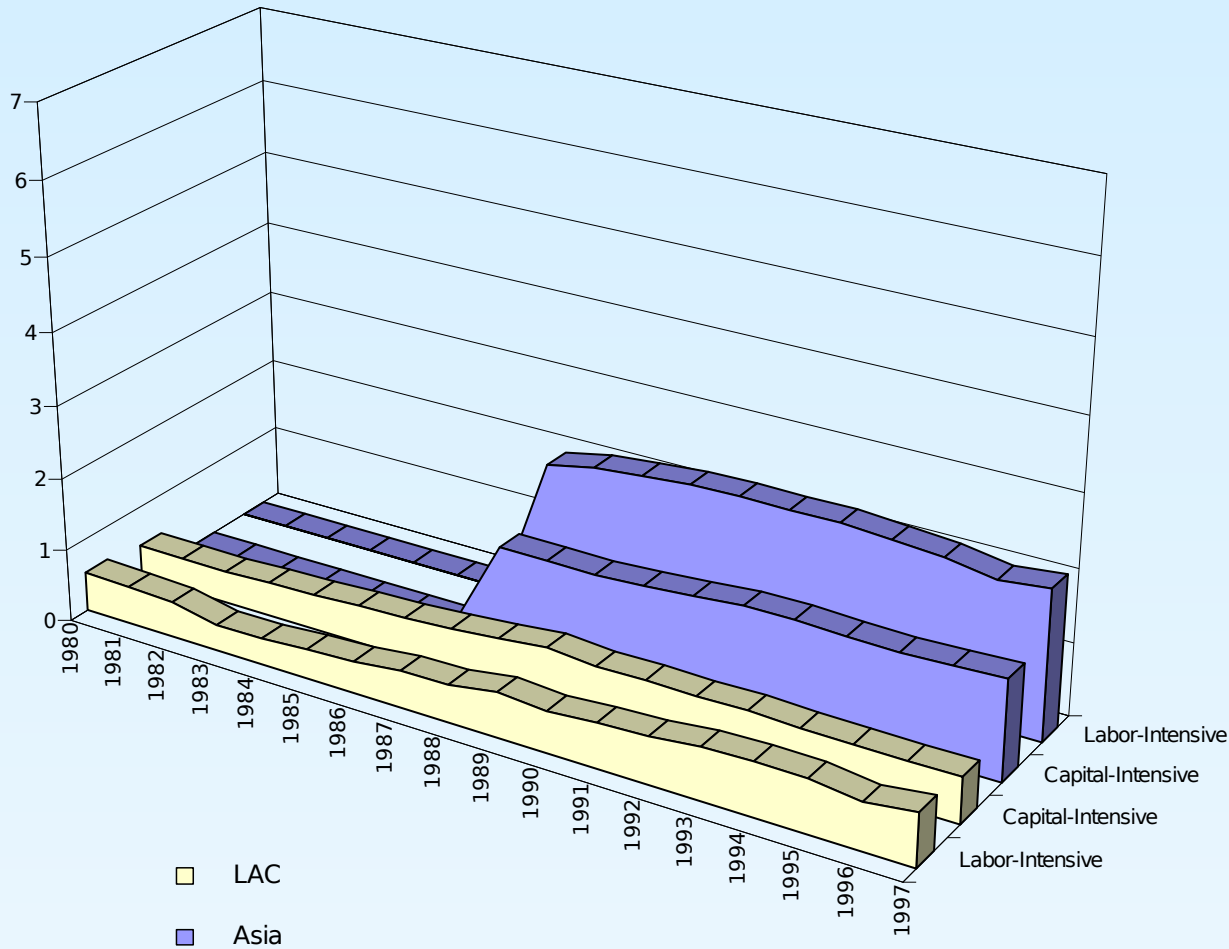
Balassa Index: Major Natural Resource and Land Intensive Commodities - Latin America



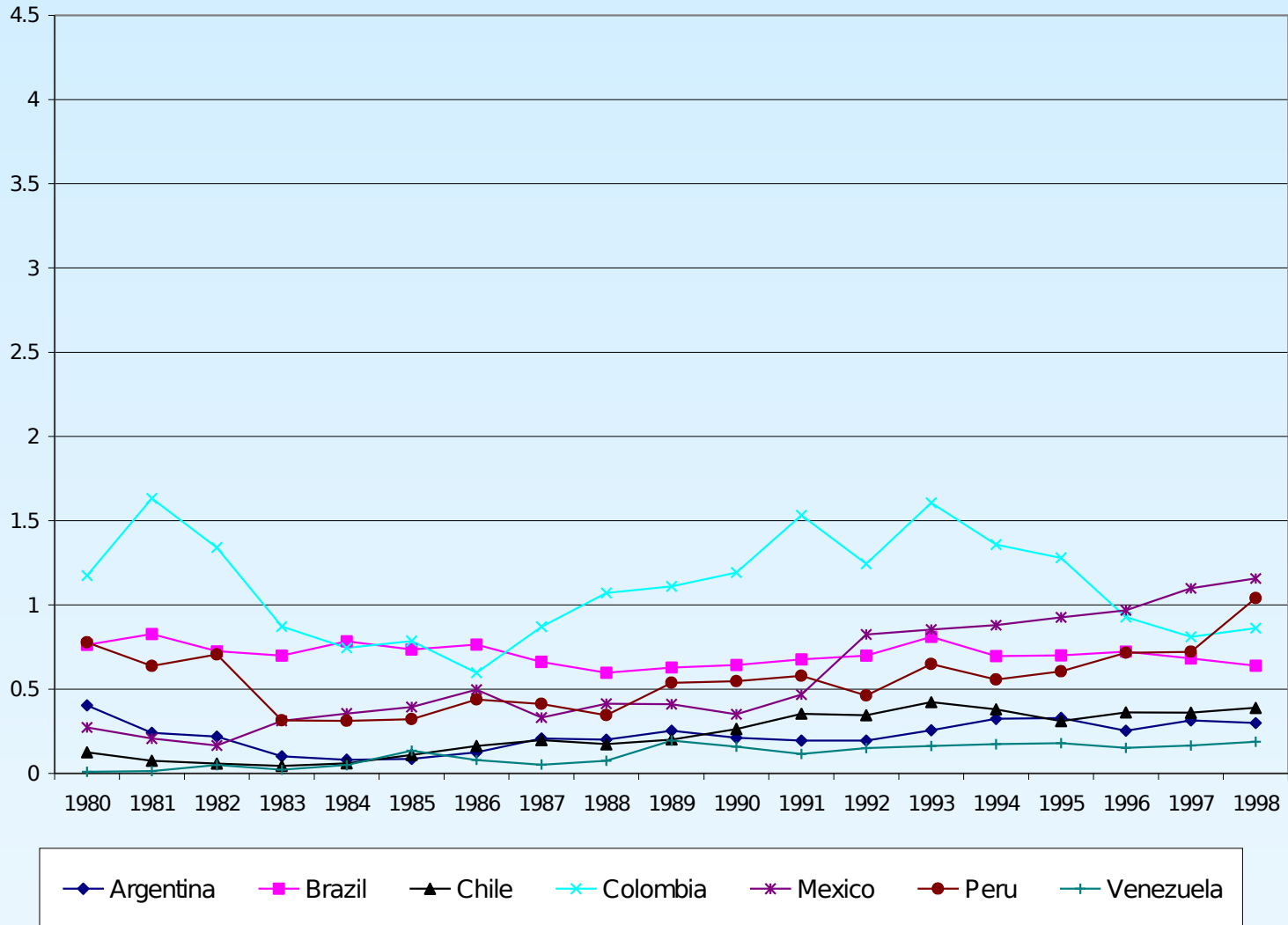
Balassa Index: Major Natural Resource and Land Intensive Commodities - Asia



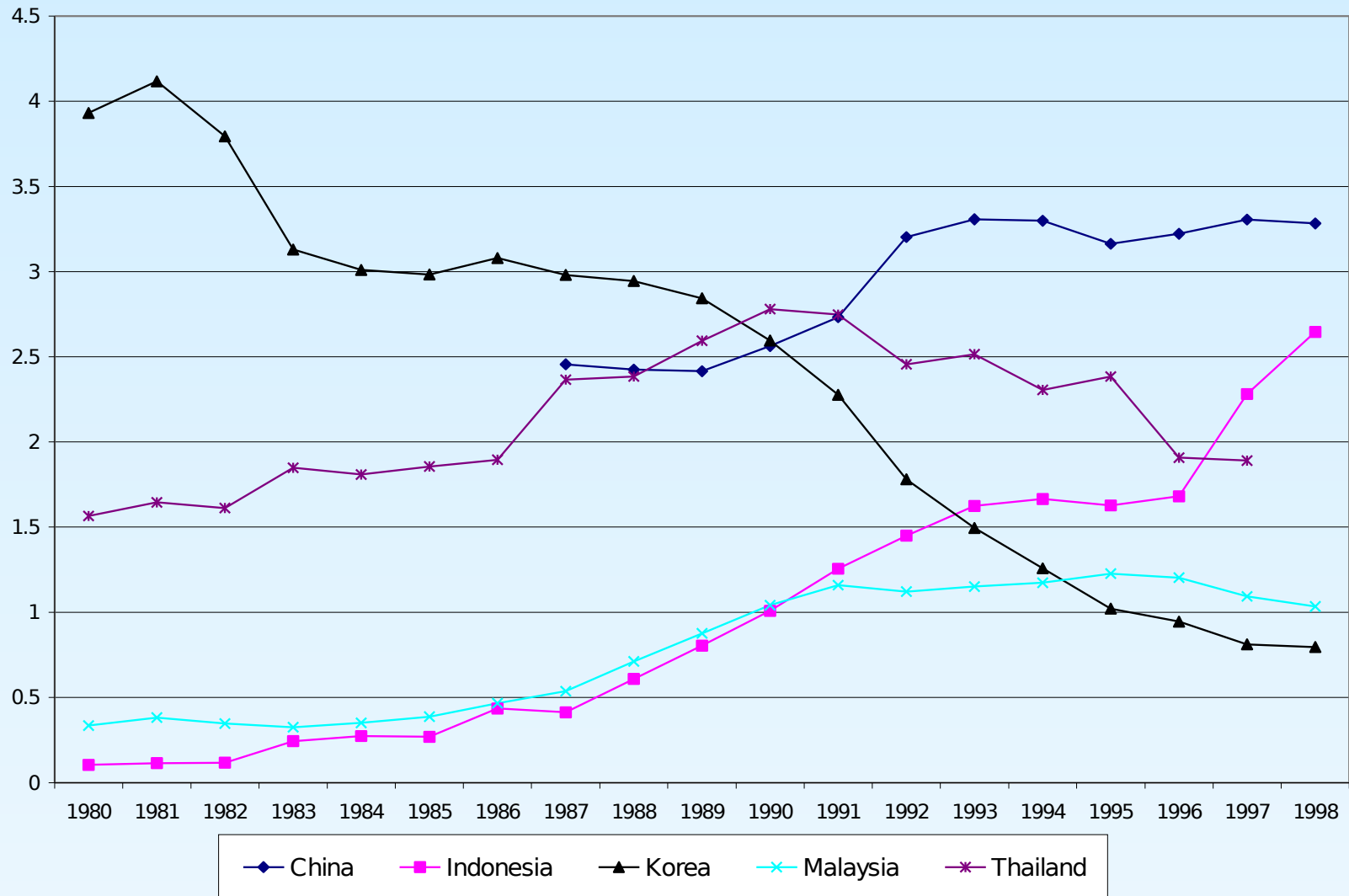
Balassa Index: Labor and Capital Intensive Merchandise - Regional Comparison



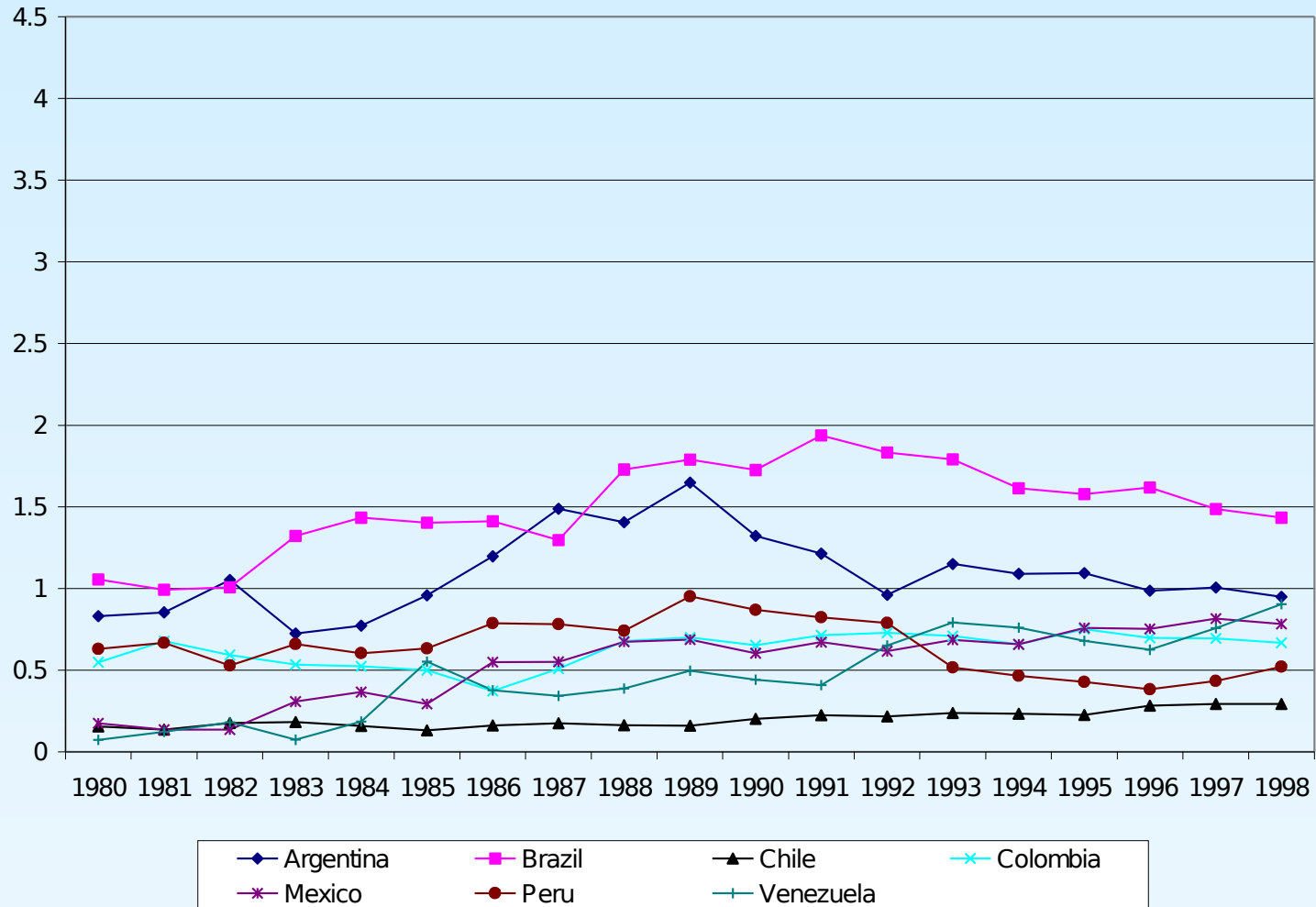
Balassa Index: Labor Intensive Merchandise - Latin America



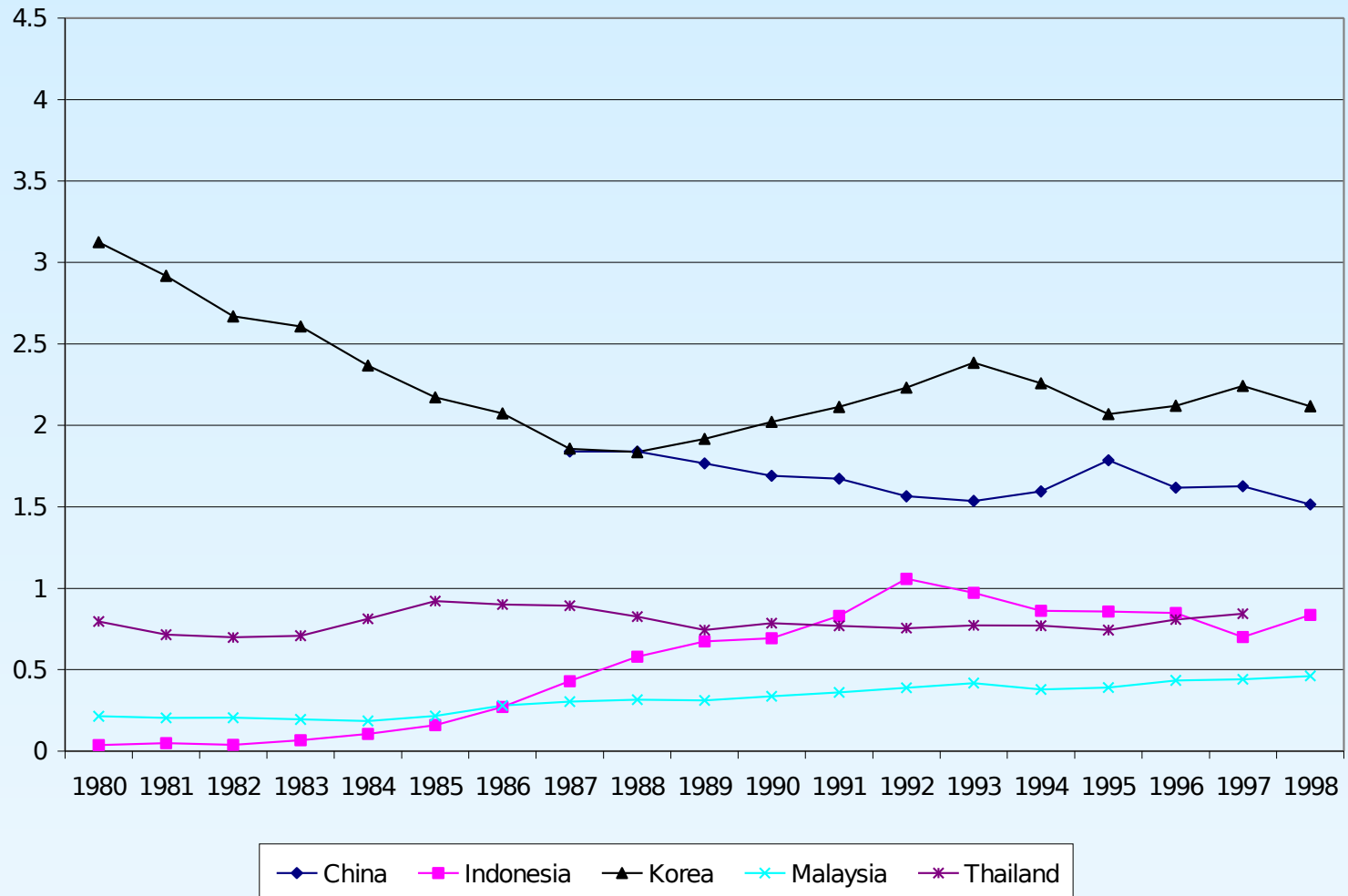
Balassa Index: Labor Intensive Merchandise - Asia



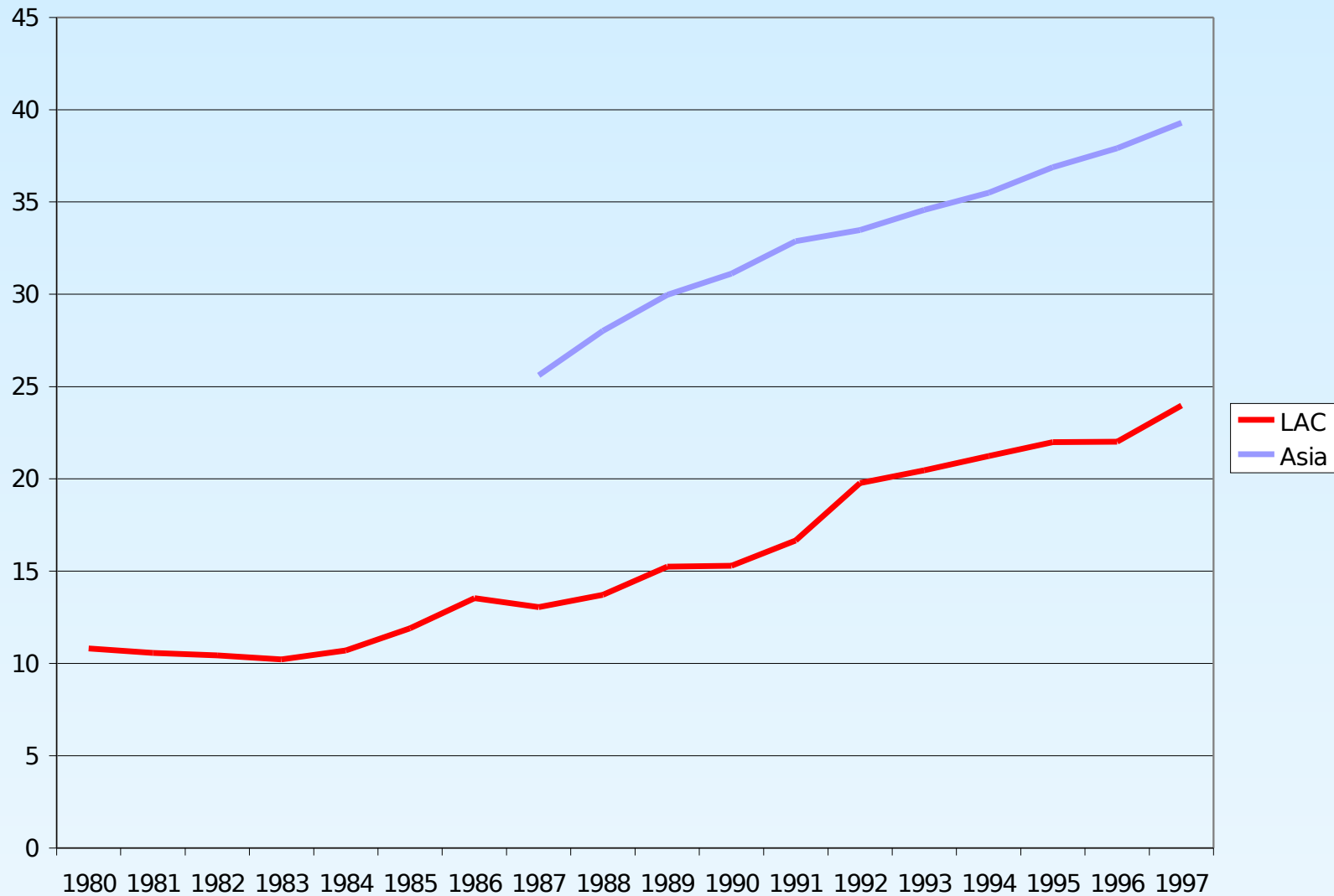
Balass Index: Capital Intensive Merchandise - Latin America



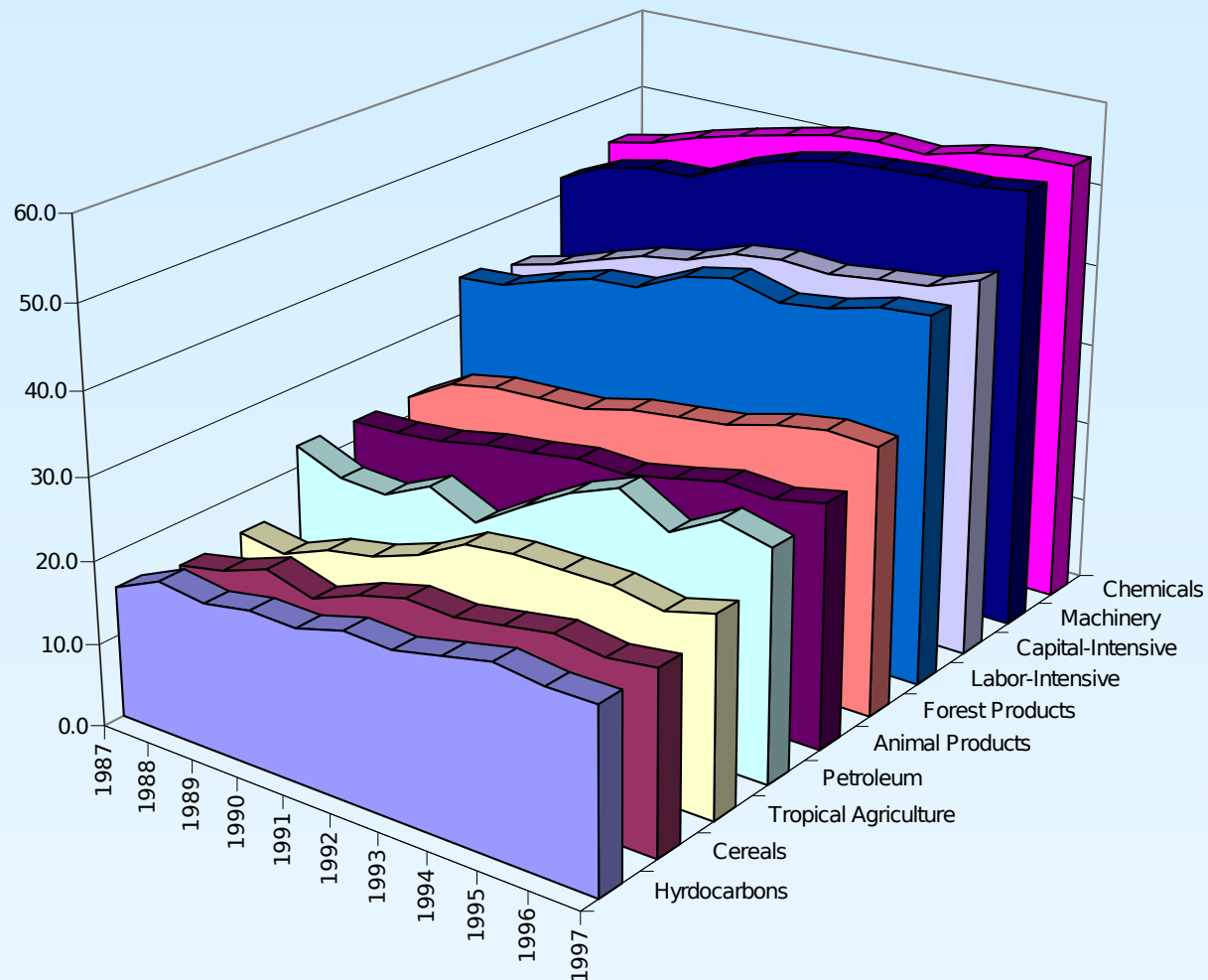
Balassa Index: Capital Intensive Merchandise -Asia



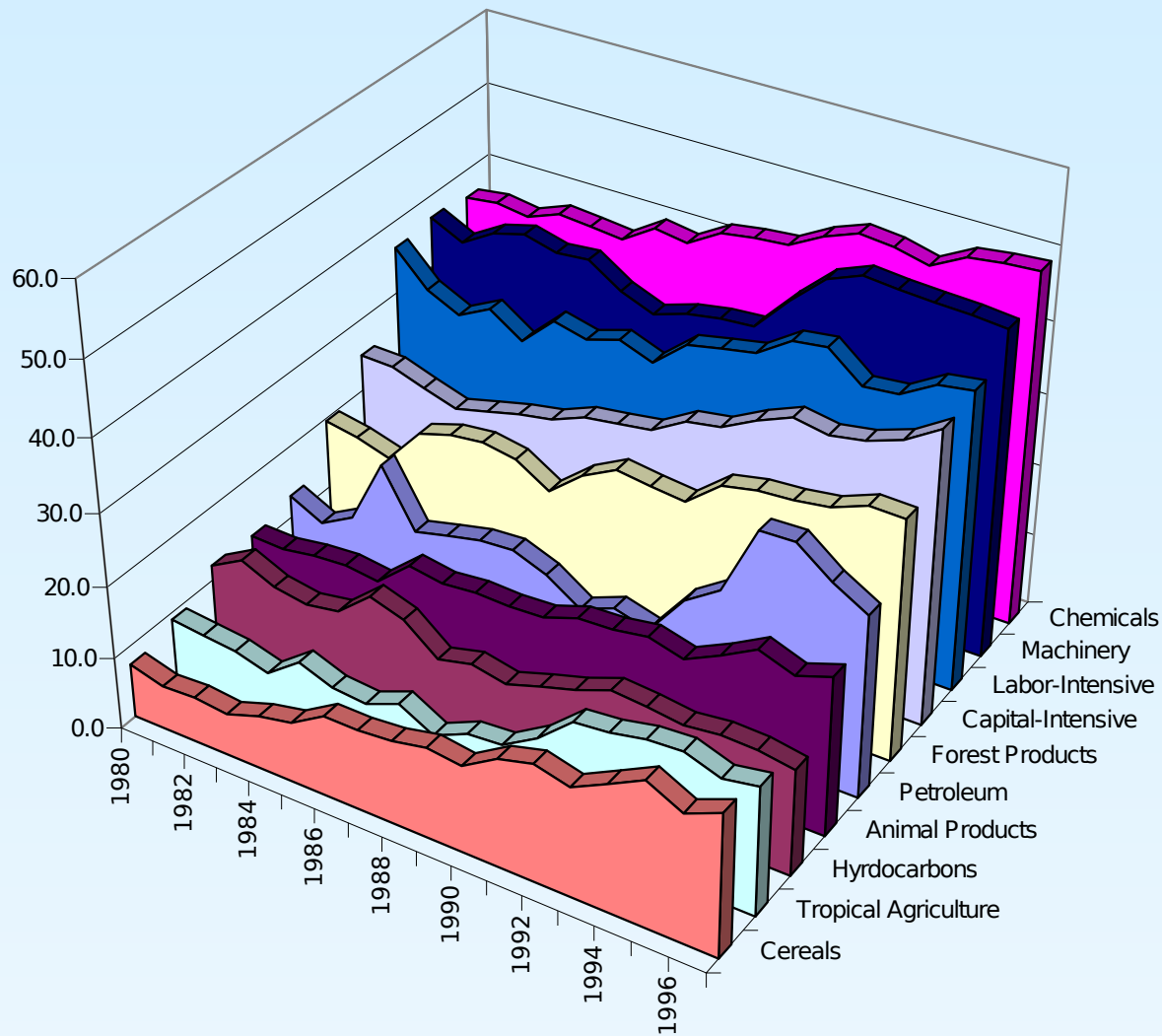
Intra-Industry Trade Index



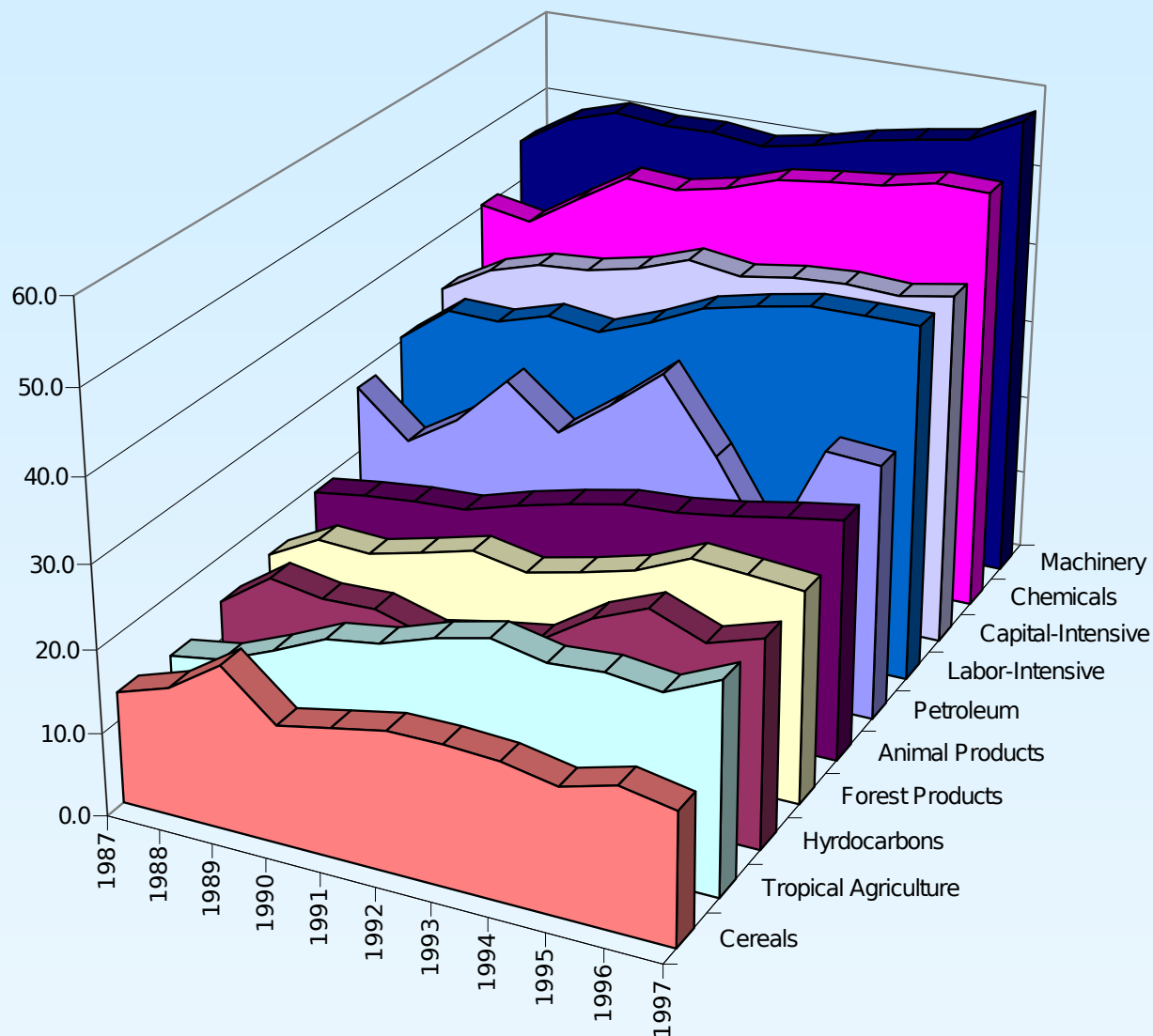
Intra-Industry Trade Index - Sample Average



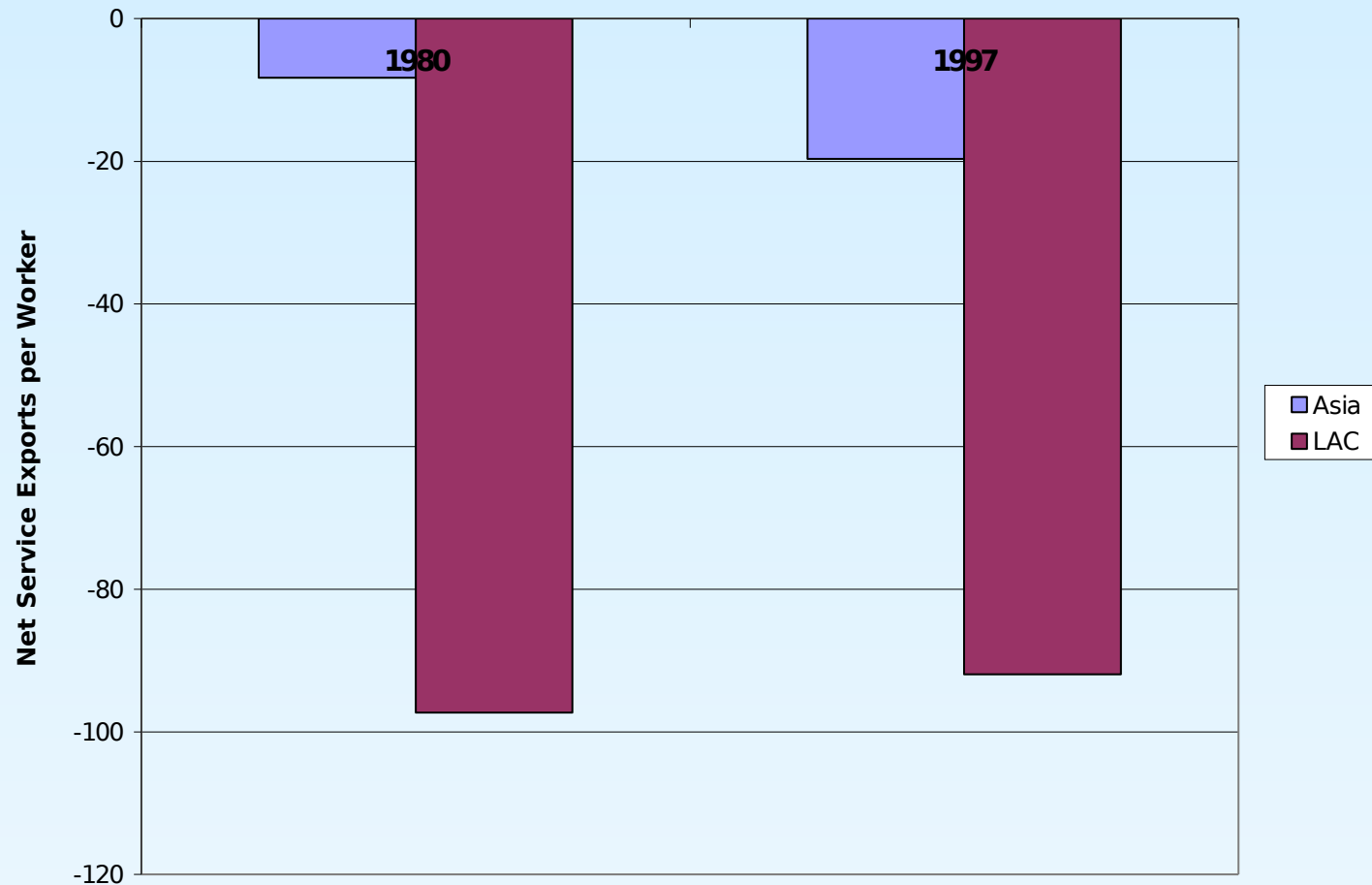
Intra-Industry Trade Index- Latin America



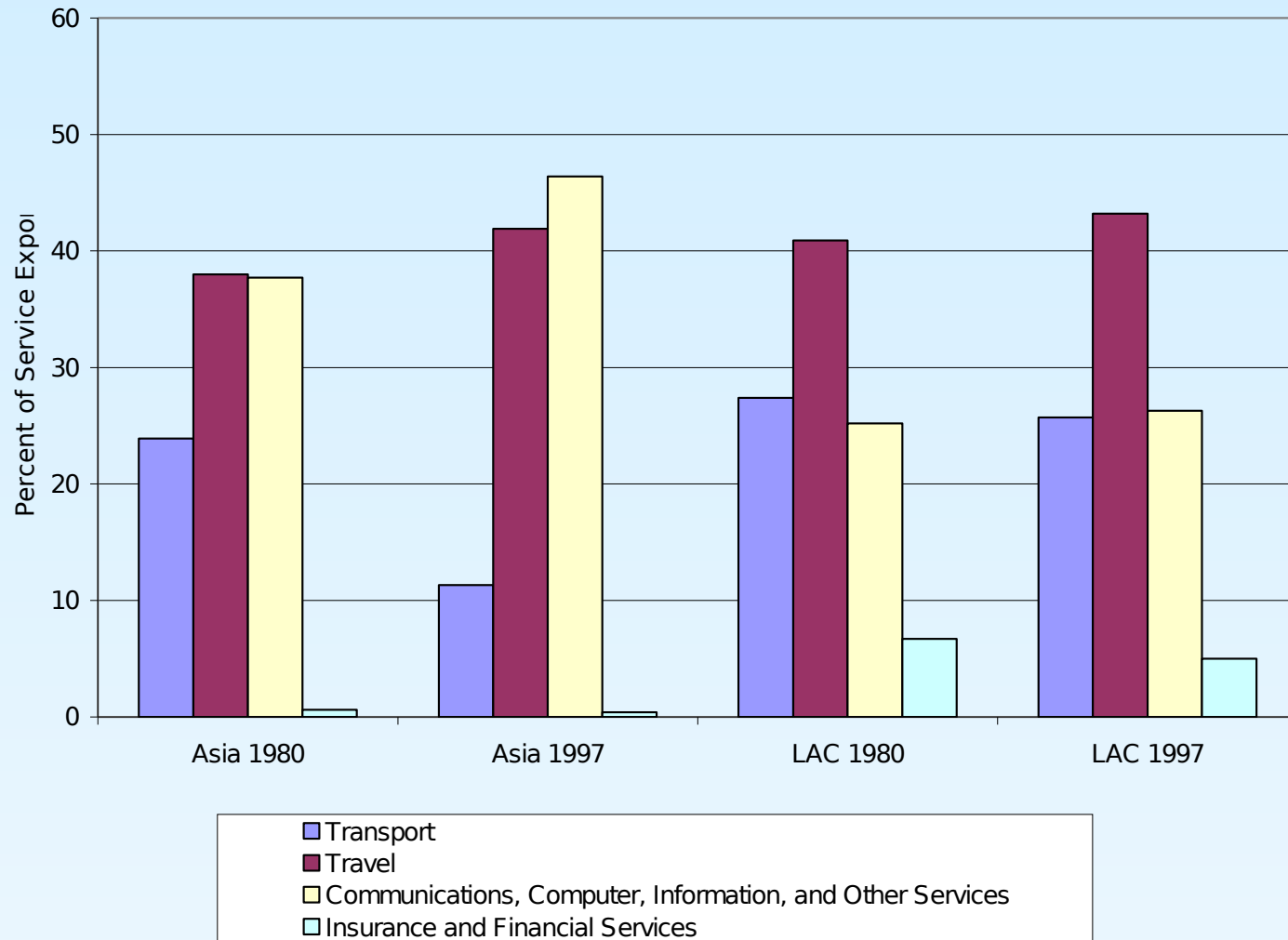
Intra-Industry Index - Asia



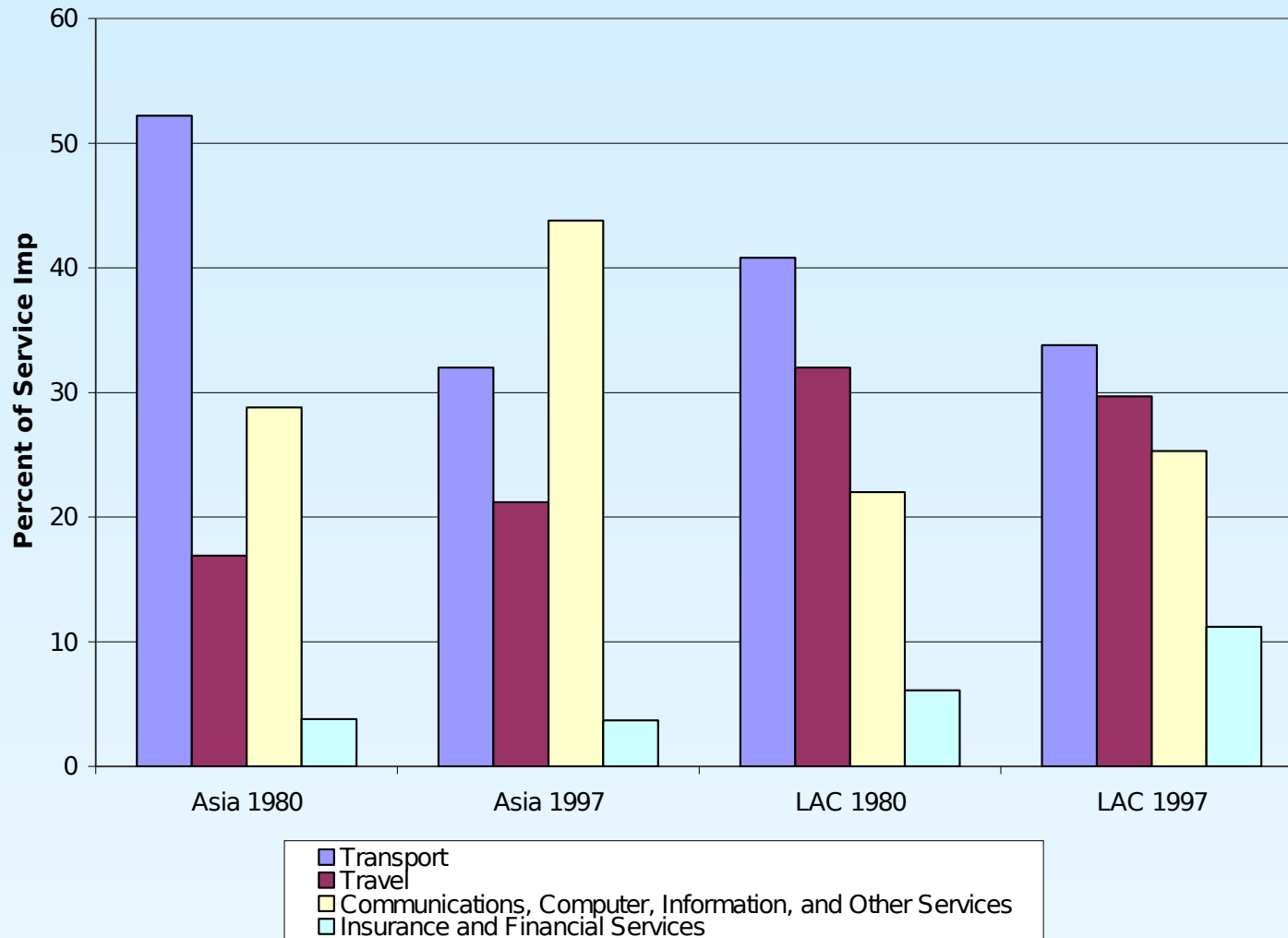
Net Service Exports per Workers - Regional Comparison



Structure of Service Exports



Structure of Service Imports



Summary: Regional Comparisons

- LAC has become more open since the mid-1980s, but still lags behind Asia and OECD countries
- LAC's "revealed" comparative advantage remains in natural-resource and land-intensive products
- Asia remains competitive in labor-intensive exports, and to a lesser extent, in capital intensive products

Summary: Sub-Regional Comparisons

- The US remains LAC's most important export market, and still is an important purchaser of US exports
- Mercosur is an exception in to this regional pattern

Summary: LAC's Comparative Advantage

- LAC remains dependent on exports of natural-resource and land-intensive products, with relatively low intra-industry trade
- Some exceptions:
 - Brazil in capital-intensive products
 - Mexico in labor- and capital-intensive products
 - Colombia, a very minor exporter of labor-intensive products
- Some notable cases of high reliance on natural resources and land:
 - Chile, Venezuela and Argentina

Why this is important?

- Effects on income distribution
- Competition based on relative factor abundance, and less on product differentiation and productivity
- Need to look deeper into services, which may help LAC follow the path of rich countries such as Australia and New Zealand (natural resource-rich, but competitive in services that use human capital)
- Protection is not the answer
- Savings and education could help change the Region's comparative advantage